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# THE MALAYAN ECONOMIC REVIEW

(THE JOURNAL OF THE MALAYAN ECONOMIC SOCIETY)

VOLUME V, No. 2

OCTOBER 1960

## Contents

ARTICLES	Page
The Finance of the City State .. .. .	Ursula K. Hicks 1
The Economic Characteristics of the Population of the Federation of Malaya, 1957 .. .. .	Ronald Ma and You Poh Seng 10
Export Taxes on Rubber in Malaya—A Survey of Post-War Development .. .. .	Lim Chong Yah 46
The Domestic Implementation of the 1953 International Tin Agreement in Malaya .. .. .	Yip Yat Hoong 59
Land Problem and Economic Growth in India and China: Another View .. .. .	Sidney Klein 66
A Note on the Economic Impact of Totalitarian Land Tenure Change: The Vietnamese Experience .. .. .	J. P. Gittinger 81

## BOOK REVIEWS

Yates, P. Lamartine, <i>Forty Years of Foreign Trade</i> .. .. .	T. R. McHale 85
Lim Tay Boh, <i>The Development of Singapore's Economy</i> .. .. .	Ronald Ma 85
Shigeto Tsuru, <i>Essays on Japanese Economy</i> .. .. .	T. H. Silcock 88

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Published by the Malayan Economic Society in co-operation  
with the Department of Economics.

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The  
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(THE JOURNAL OF THE MALAYAN ECONOMIC SOCIETY)

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*Volume V. Number 2*

*October, 1960*

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### ARTICLES

- |   |                            |   |
|---|----------------------------|---|
| The Finance of the City State .. ..   | Ursula K. Hicks            | P |
| The Economic Characteristics of the Population of the Federation of Malaya, 1957 .. ..            | Ronald Ma and You Poh Seng | 1 |
| Export Taxes on Rubber in Malaya—A Survey of Post-War Development .. ..                           | Lim Chong Yah              | 4 |
| The Domestic Implementation of the 1953 International Tin Agreement in Malaya .. ..               | Yip Yat Hoong              | 5 |
| Land Problem and Economic Growth in India and China: Another View .. ..                           | Sidney Klein               | 6 |
| A Note on the Economic Impact of Totalitarian Land Tenure Change: The Vietnamese Experience .. .. | J. P. Gittinger            |   |

### BOOK REVIEWS

- |  |               |
|--|---------------|
| Yates, P. Lamartine, <i>Forty Years of Foreign Trade</i> .. ..   | T. R. McHale  |
| Lim Tay Boh, <i>The Development of Singapore's Economy</i> .. .. | Ronald Ma     |
| Shigeto Tsuru, <i>Essays on Japanese Economy</i> ..              | T. H. Silcock |



# THE FINANCE OF THE CITY STATE<sup>1</sup>

BY URSULA K. HICKS

## I

The city state has been one of the most important and interesting phenomena in the history of civilisation. It might well be claimed that the world owes more to the citizens of Athens, Corinth or Sparta and of Venice, Florence and Genoa (and a number of other distinguished, but less successful examples), than to any other type of political entity. Not only have the city states been pioneers in knowledge, art and culture, in business methods and in the development of democratic government, their achievements in some fields have never been surpassed in the history of man.

In the modern world the break-up of the colonial empires of the nineteenth century and the consequent emergence of separate political entities has already created some new city states and may well give rise to more. Singapore is one of these, and Hong Kong, although it is still subject to Crown Colony government, exhibits many of the characteristics and problems of the true city state. It is consequently of considerable interest to ask whether the experience of the classical and mediaeval city states<sup>2</sup> does not have some relevance to the problems of their twentieth century counterparts.<sup>3</sup>

The political and economic circumstances which brought the city states into being endowed them with three very definite groups of characteristics, which were at the same time a challenge and an opportunity. In the first place location was fundamental. The great majority of the city states have been maritime, and a number were situated on islands, for greater safety and independence — exactly parallel to Singapore and Hong Kong. Venice owed much to her island site; other maritime city states such as Athens and Genoa enjoyed the security

1. The gist of a lunch hour talk given to the Malayan Economic Society on June 25th 1960.

2. For the purposes of the present argument I define a city state as an independent political entity centred on a single city, and having a limited home ground under its control, although circumstances may induce or force it gradually to acquire large territories overseas. The classical cities of Greece and her colonies and the north Italian towns of the twelfth to fifteenth century fit this definition best. In the middle ages (especially in Germany and the low countries) there were many "free cities" which escaped from the power of local feudatories intermittently, sometimes indeed for long periods; but they hardly qualify as states with important international currencies and other manifestations of nationhood, although it is probable that the more important Hanse towns would so qualify. Again Switzerland has several examples of important cities in states (cantons), such as Berne, Fribourg and Basel; but the cantons also contain other important towns. So far as these variants approximate to the true city state. I think it will be found that they tend to share the same characteristics as are brought out here, to a greater or lesser degree.

3. For information on the economics and finance of the classical city states I have mainly used the Cambridge Ancient History, Vol. V, especially the first chapter, by M.N. Tod. In respect of the Italian mediaeval city states, thanks to the researches of French and Italian scholars, it is now possible to get a much clearer picture of the economics of business. Since however, the researches are based on the records of firms they are not very informative in details about the public sector. I have found particularly useful: Yves Renouard, *Les Hommes d'Affaires Italiens du Moyen Age* and *Storia dell' economia Italiana*, ed. C.N. Cipolla, Vol. I, especially *Economia e vita privata dei fiorentini nelle rilevazioni statistiche di Giovanni Villani*, by Enrico Fiumi.

## THE FINANCE OF THE CITY STATE

given by barren hills on their landward side; Corinth was specially well placed astride an isthmus between two seas.

Florence is the most notable of the city states with a non-maritime location, but just as much as the maritime powers she was situated at the meeting of great trade and pilgrimage routes. There were compensating advantages in that she could expand her control over a particularly rich countryside. As against this her sea communications were always in some danger so long as Pisa, who controlled her outlet, was a force to be reckoned with.

By and large the city states owed their power to their location on trade routes, and this implied that commerce, normally maritime commerce, was their life blood. The entrepot trade was first developed, but the most successful also developed important manufactures of their own. The difficulty about these was that nearly all the raw materials had to be imported. Nevertheless their trade connections already established gave them great advantages both in acquiring supplies of raw materials and in marketing the finished products.

In the second place it has always been characteristic of the city states that their population was more dense than that of the surrounding territories. They experienced "urban drift" in much the same way as do towns in underdeveloped countries today. The city states were prosperous and normally there was little difficulty in finding economic opportunities for all comers. But the problem of population pressure, with its attendant social difficulties, could never slip quite out of mind. In addition, the city states (especially in the middle ages) were very vulnerable to the effects of the wars and politics of their big neighbours, so that their incomes tended to fluctuate violently on account of basically political events over which they had no sort of control.<sup>4</sup> They thus tended to suffer intermittently from severe unemployment. Moreover the density of the populations and the small size of the territory caused perpetual anxiety over the question of food supplies. The inevitability of food imports, especially of the rather choice foods which their relatively high income citizens demanded, coupled with the need to import raw materials in order to increase exports, produced the problem which is faced today not only by city states but also by such countries as Japan and the United Kingdom who have large populations to feed off a strictly limited supply of land.

In the third place the city states were in a very real sense both cities and states; there was no distinction between central and local government. In this unification lay much of their strength since a unified policy grew up naturally, or was more or less forced on them; there was no room for a conflict of loyalties. On the other hand trouble might easily arise between the citizens, often defined rather narrowly, and other city dwellers. How far this was likely to be serious depended on the immigration and "naturalisation" policy of the state. Further, conflict of economic interest might easily arise between town and country dwellers over such matters as food prices and taxes on produce. Town and country were however too interdependent for this to prove really serious.

The different city states met the challenge of these fundamental data in different degrees and in somewhat different ways; but the general pattern of response was extremely similar. It is this, which, in spite of immense differences

4. Thus a number of Florentine firms were bankrupted and much unemployment ensued when Edward III suffered a small reverse in 1342, which in English history is hardly noticed between the successes of Sluys and Crecy.



## THE FINANCE OF THE CITY STATE

in technical equipment and knowledge, constitutes the interest of their experience and its relevance to the modern world.

### II

As we have seen, commerce was the life blood of the city state. Successful commerce implies stable government, efficient maintenance of law and order and reliable enforcement of justice, especially in respect of business contracts. Athens under the oligarchy enjoyed long peaceful years which laid the foundation for the bold experiment of democracy. The government of Venice was more stable than that of any other Italian city, and she was virtually free throughout her history from the civic strife which tore her neighbours. The great blossoming of Florence took place only after the end of the long struggle between Guelphs and Ghibellines, and the restoration of the former. Many other towns failed to resolve their political discord and to reach the first rank in consequence.

Related to efficient law and order was the maintenance of a stable and reliable currency. In this respect there were important advantages of size, so that the successful prospered cumulatively. The wider a state's trade the better known and more trusted its money became and the better access it could obtain to supplies of the precious metals on which stability largely depended. In this respect Athens was particularly well placed with the silver mines of Laurium at her doorstep. The great Italian city states all took particular care to preserve the value of their money. The Venetian ducat was known and respected throughout the civilised world; at the present day both the Netherlands and the United Kingdom use coins known as Florins, originally incorporated into their currency to enhance confidence in it.

The basic problem of reliable money is not essentially different today, although it is no longer related to supplies of the precious metals. For success it implies avoidance of inflation or measures which destabilise the balance of payments.

Stable money and trading contracts led naturally to the growth of financial services: the invention of banking and other credit facilities, modern accounting systems and insurance. In the Italian city states the invisible exports of financial services must have contributed very largely to the strength of balances of payments. Genoa was a pioneer in this respect, inventing both third party insurance and double entry accounting; the latter was much expanded by the Venetians and became known as the Venetian system. Florence's special contribution was in the field of banking and foreign lending, as Lombard Street in London bears witness. Both Genoa and Florence made important contributions to the development of the company form of doing business, replacing the temporary partnerships for particular projects by long-term organisations.

As we have seen, all the city states were under the necessity of importing a considerable part of their food supplies. Here the isolation which secured tranquillity for development could be a definite handicap. Since Attica is barren and unsuitable for wheat growing Athens had to import most of her food from Euboea and then from further afield. Venice partly solved her problem by establishing revictualling bases overseas, so that her ships could set forth without large food supplies and could load up for home consumption on the return voyage. Florence seems definitely to have planned her programme of extending her influence over

## THE FINANCE OF THE CITY STATE

neighbouring territories with an eye on food supplies. It is a testimony to her success (and also to her wealth) that the dietary of her citizens compares very favourably with that of the present day in quantity, although it was lacking in variety until the new plants of America, especially potatoes and maize, could be imported.<sup>5</sup> Florence however was in repeated trouble over fish supplies, and also needed to import citrus and other hot country produce. It is evident that in every successful city state the problem of increasing food supplies was recognised as requiring, and did in fact receive, very special attention.

The other side of this problem was the necessity for expanding exports. The most successful city states all became, for their time, centres of industry. Corinth had a big trade in everyday pottery: she may also have had control over some of the textile manufactures along the coast near Megara. Athens had a world-wide trade in artistic pottery, statuary and other luxury goods. Of the Italian cities Venice had silk and woollen manufactures and also exported lace and glass; but Florence was by far the most successful with her extensive weaving and finishing business in textiles, especially woollens.

It is economically very understandable that city states should tend naturally or deliberately to concentrate on high grade manufacturing. Their own high income citizens would provide a market for such things, while the return in terms of value added would also be high. It seems to be a fairly general experience that those city states which failed to develop a good solid basis of home manufactures also failed to reach the highest grade; in Italy Pisa<sup>6</sup> and Sienna would be examples of this, and to some extent Genoa also.

The manufacture par excellence of the maritime city states was shipbuilding not only for their own extensive needs, but also for export. Athens being very short of timber, even in classical times, was careful to make a strong alliance with well wooded Corfu, an alliance that had the additional advantage that it weakened the position of her rival Corinth, whose recalcitrant colony Corfu was. Venice and Genoa were both well placed for timber supplies, and Genoa early developed a reputation for shipbuilding. It is especially interesting that in Venice shipbuilding was nationalised. In this way the state substantially reduced the risks of private enterprise.

The maritime city states enjoyed the further advantage that their merchant navies provided a useful reserve of hardy fighters, well practised in warding off pirates. Florence conspicuously lacked this advantage, and at an early stage was forced to defend herself by diplomacy and by the employment of mercenary troops.

In the long run success or failure hinged very much on population, or more precisely immigration, policy. The most illiberal of the classical city states was Sparta, which drew a tight cordon round the privilege of citizenship, allowing the Spartans no share in trade or even in holdings of gold or silver, while on the other hand the helots were allowed no civic privileges. Of the first rank of city states in their greatest days perhaps Athens and Florence pursued the most liberal population policy. In Athens Themistocles set the fashion of liberal immigration.

5. cf. Fiumi, *op. cit.* *Per capita* consumption of wheat and wine were substantially above those of modern times, and meat (especially mutton) was evidently plentiful.

6. Pisa did however have a woollen industry.



## THE FINANCE OF THE CITY STATE

the metics were encouraged and treated well. The situation gradually came about that trade and industry was almost entirely in the hands of these immigrants, while the Athenians proper worked in the public services. This however was a division of labour more or less due to convenience; no one was legally debarred from any occupation. In Florence finance and trade were mainly in the hands of the great families, manufacture in that of the middle class. But the great family companies had an elaborate system of training employees for high positions and there were no very formal regulations concerning the division of labour. In contrast there was a stage in her development when Florence suffered severely from labour troubles.

City states with a liberal immigration policy undoubtedly added substantially to their strength, just as England benefitted in the sixteenth century by the influx of textile workers fleeing from religious persecution on the Continent.

The absence of distinction between local and national politics produced in the great city states a loyalty to the state which has never been surpassed. Generally speaking the public sector was of substantial importance, and frequently included public enterprises, notwithstanding that all were mixed economies where private enterprise was both powerful and wealthy. The extent of public ownership on the one hand and the devotion to the state on the other naturally differed greatly from city to city. Athens was particularly lucky with her silver mines, and commanded the loyalty of her citizens to a very high degree. The wealthy contributed liberally to entertainment and the arts, and there was much voluntary work in the public service including the courts, although eventually it was realised that for efficient and reliable service effective salaries must be paid. Sparta had a very high tradition of voluntary service, attempting to carry on her entire public services on a voluntary basis, a system which inevitably broke down when the hour of heavy strain arrived. Of the great Italian city states Genoa was exceptional in having an ideology of pure private enterprise. The factiousness of the great companies, and the absence of any strong public sector unquestionably weakened her in relation to her rivals.

It is extremely difficult to get a picture of the public finances of the city states, even in mediaeval times, although there is some information concerning individual taxes. In the case of Sparta this blackout is not surprising, "her financial system was rudimentary and her conduct of public affairs was characterised by an unparalleled secrecy".<sup>7</sup> The ideology of the Athenian democracy on the other hand required that all policy discussions should be as public as possible, in order that each might realise his responsibility. Consequently the record of a substantial number of public decisions has survived, many engraved on marble. But even Athens had no budget, and although she had some effective taxes democratically imposed, they were imposed *ad hoc* as occasion demanded.

None of the city states thought it necessary to supplement privately provided education by a public service which in the middle ages was of course the role of the church. Of other social services there is very little trace, although Athens seems to have provided some form of public assistance for the elderly without means of support. Florence attempted something for the unemployed in very bad times, and no doubt this was fairly common. In addition to the provision

7. cf. M.N. Tod, *loc. cit.*, p. 2.



## THE FINANCE OF THE CITY STATE

of entertainments and amenities by wealthy citizens, the beautifying of the city by public effort had a high priority both on aesthetic and political grounds. By far the largest item on the expenditure side for all the city states was defence.

On the tax side it is possible to be rather more definite. Due to the need to encourage trade and commerce, it was widely recognised that customs duties, port dues and the like would have to be kept strictly moderate. Moreover none of the administrations would have been capable of controlling smuggling if tariff walls had been high. In all cases the principal taxes were on outlay for home consumption. Athens operated an approximation to a general sales tax of 1 to 2%. Florence solved the problem as best she could by an *octroi* on goods entering the city, levied at similar low rates, but made no attempt to control the entry of goods over her landward boundaries. These levies may be taken as typical. It is of special interest however that Athens in her darkest hour introduced a property tax, mainly on real estate, for which some of the valuations have survived. This effective and modern-looking tax owed its existence no doubt to the democratic constitution.

If the tax possibilities of both classical and mediaeval states were somewhat meagre, their borrowing possibilities were by no means negligible. In the classical period the process of private accumulation was only just starting. Both industry and agriculture were conducted by very primitive methods; a simple loom was almost the only machinery and farmers still used a wooden ploughshare. In these circumstances the most fruitful pools of saving on which the city states could draw were the temple treasuries, but some of these were quite substantial. In the fourth century B.C. the rate of interest was effectively determined by the charge for loans made by the Delos treasury. When Athens acquired control of this extensive temple accumulation it was as much a financial as a political victory.

By the thirteenth and the fourteenth century the situation had completely altered: large private fortunes had been accumulated through trade and industry. Most of the Italian cities could count on their wealthy citizens for loans and other contributions; indeed in Florence the magnates made their main contribution to the body politic in this way, preferring on the whole to remain aloof from the conduct of civic affairs.

### III

This brief sketch of the manner of adjustment of the city states of the past to their fundamental data suggests that the best of them were both alert and resourceful. The life of a small political entity such as a city state is hard in any age; its success in building up and maintaining a standard of living higher than that of its neighbours inevitably makes it an object of envy to large neighbours. This was true in the middle ages; it cannot be hoped that it will be less true in the modern world. Nevertheless there seems to be no reason why such political entities as are entering on the task today should not continue to prosper, if they play their cards as intelligently as the successful city states of the past did. Can we deduce from the lessons of the past any definite priorities for the activities of modern economic and financial policy of a city state?

In the first place the existence of a diverse and largely immigrant population calls for very special efforts to build up a strong national and civic consciousness. This calls for the active development of economic and social overheads; education

## THE FINANCE OF THE CITY STATE

is of course important, also basic health services, street works and above all the provision of low income housing. In this respect Hong Kong's refugee housing is an example to all.<sup>8</sup> Healthy and contented citizens are not only an end in themselves; they are the foundation of a reliable labour supply for would-be entrepreneurs, whether indigenous or immigrant.

Secondly, every possible step should be taken to make the facilities of the city and port as cheap and convenient a place to do business in as possible, in such ways as good communications, especially in the neighbourhood of the harbour, land reclamation, and the provision of business and factory accommodation, in new towns and trading estates. Just what types of manufacture it will be most useful to encourage depends largely on the availability of raw materials. Given stable conditions the alert entrepreneurs of Southeast Asia can look after most of this for themselves. Experience of the past however, as we have seen, suggests that the building-up of a shipbuilding and repairing industry might be especially useful. In this respect the recent experience of Japan has some relevance, since the Japanese economy, with its small land supply and large population, exhibits some of the characteristics of a city state. In Japan a first class shipbuilding industry has been built up in recent years with such success that in 1959 Japanese output exceeded that of any other country, notwithstanding that she has no natural endowment in the necessary raw materials.

Thirdly, and of certainly no less importance, is the promotion of food production on whatever land space is available. Here again Japan is a striking example of what can be done by careful terracing, irrigation (most of it quite small scale), and above all use of fertilisers and pest controllers. Two and even three crops can now be harvested where a short time ago only one was obtained. Further, every piece of inland water, however small or temporary, is used for the production of fish. The large increase in egg and poultry production in recent years in Singapore is an illustration of what might more generally be achieved; but neither there nor in the New Territories of Hong Kong has agriculture reached anything like the intensity which obtains in South Japan.<sup>9</sup>

How, it must be asked, could such a development policy be financed? The city states of the modern world face the same difficulty as the city states of the past that it is only practicable to make subnormal use of import or export duties for fear of damaging trade. On the other hand since tax administrations are much more efficient than those of the past it is now possible to place more reliance on other forms of tax. In lieu of customs other duties can be widely used: excises, with a drawback for exports, entertainments and probably also a low general sales tax. There is a strong case for keeping the tax on business profits moderate (although Hong Kong's rate seems unnecessarily low); there is also a very special case for writing into the legislation as much as possible in the way of risk reducers for entrepreneurs, such as quick write-off of fixed equipment

8. In the space of not much over two years nearly 300,000 adequate though plain family units have been provided by the Public Works Department at virtually unsubsidised rents which range from \$HK 10 to 20 a month, according to the size of the family.

9. The land reform and abolition of landlordism carried out in the immediate postwar years must be accounted as partly responsible for the great improvement that has taken place. Enterprise has certainly been stimulated, but without research and advice it would have been much less effective.

## THE FINANCE OF THE CITY STATE

and indefinite loss carry forward.<sup>10</sup> The case for very low rates of personal income tax is less easy to defend. If the policy of inculcating civic and national pride has been successful there would seem no reason why marginal rates at least up to 60% should not be both acceptable and enforceable.

Finally there is a very convincing case for developing a strong and effective tax on the land and buildings of the city, of the nature of the British local rate, but preferably on capital rather than on annual values.<sup>11</sup> The prosperous city state is particularly vulnerable to real estate booms which tend to divert limited resources from more fundamental uses. By the use of a real property tax based on careful professional valuations kept up to date, a good deal can be done to control the inflation of land values, while collecting additional revenue without raising poundages. Hong Kong has attempted to meet the problem of land boom by a surcharge for land sales in stamp duties. It is generally agreed that this has not been very successful. Rates based on capital value have a wider incidence in that they affect all values, whether or not there has been a recent sale of the property.

In view of these indications derived from the experience of the past it may be of interest to take a cursory look at the most recent available budgets of Hong Kong and Singapore. The relative importance of the main tax sources in the two territories is shown below:

	<u>Hong Kong</u>	<u>Singapore</u>
	%	%
Duties excluding entertainments and stamps .. .. .	23	50
Entertainments .. .. .	13	3
Stamps .. .. .	6	1
Income tax (personal and impersonal)* ..	33	32
Rates .. .. .	22	13

\* includes estate duty 6% in the case of Singapore.

Although the distribution of tax sources is broadly similar in the two territories, there are interesting differences. For instance it would certainly seem that Singapore might do better with entertainments and stamps, and perhaps softer a little in respect of other duties. Although her rates of income tax are higher than those of Hong Kong the actual revenue collected is no more important than in Hong Kong; possibly more attention to assessment and collection would pay dividends. Without a great deal more research, however, it would be both impossible and impertinent to attempt a more precise judgment. The important point is that in neither case does there appear to be any pressure on the revenue: there is still space to manoeuvre the resources for a forward development programme, quite apart from the possibilities of loan finance.

10. Risk reducers which do not sacrifice revenue are to be preferred to those which do, such as tax holidays. Cf. the experience of the West Indies, especially that of Puerto Rico which has gone further in this direction than any other island, see M.C. Taylor, *Industrial Tax Exemption Puerto Rico*.

11. For the reasons for this preference see my forthcoming *Development From Below* chapter 16 (The Taxation of Urban Land & Buildings).



## THE FINANCE OF THE CITY STATE

The comparison on the outlay side of the budget is rendered difficult by the fact that in Singapore what would normally be the capital budget is almost wholly controlled by the Singapore Improvement Trust. For Hong Kong however we can derive the following percentages of outlay, although there is no formal or complete segregation of current and capital items: Public Works Department, (low income — refugee) housing, roads, new town etc. 47%; recurrent works 19%; education 26%; health and medical 11%. In respect of these last two items it should be noted that a very considerable provision of education services is made by the Missions, and that this has been greatly increased since the change of control in Shanghai. In respect of health and medical services it is possible that additional expenditure is classified under other headings. The great work which the Public Works Department is doing is however immediately and strikingly obvious. For Singapore, of total current outlay education claimed 23%, health and medical 12%, and social welfare 4%. In view of the common need of city states to improve the food supply it is perhaps disturbing to find that in Singapore less than 5% of current outlay was devoted to the combined services of agriculture, fisheries, forestry and veterinary, of which the last took substantially the biggest share.

Although both Singapore and Hong Kong are prosperous today and enjoy a high standard of living relative to their neighbours, they, like all city states, due to the inbalance of their resources, have a great need to make the utmost use of these resources at their disposal. This implies taking careful thought for the long period as well as for the immediate future. Such a policy calls for unified control, which could be improved (in Singapore at least) by the adoption of a comprehensive budget. Indeed, if the accentuation of imbalance is to be avoided, regular programming would seem to be desirable.

# THE ECONOMIC CHARACTERISTICS OF THE POPULATION OF THE FEDERATION OF MALAYA, 1957

BY RONALD MA *and* YOU POH SENG

## *Introduction*

The 1957 Census results of the Federation of Malaya have been tabulated and issued by the Federation Department of Statistics in the form of reports. So far the reports comprise some summary tables for the country (Report No. 1), detailed tables for individual States (Reports No. 2 to 12), and an administrative report (Report No. 13).<sup>1</sup> A final report incorporating comprehensive and detailed tables for the country has been promised, but so far this has not yet been issued.

As in the case of Singapore, there has been no undertaking by official organisations to provide detailed analyses and interpretation of the various characteristics of the population, and this article is thus one of the series of such analyses intended to fill the gap.<sup>2</sup>

## I. CONCEPTS AND DEFINITIONS

### LABOUR FORCE APPROACH

Broadly, and in the same way as Singapore, the Federation census adopted the labour force approach for the purpose of collecting statistics relating to the economic characteristics of the population. All persons 10 years of age or over were asked to state which one of the following categories best described their position in life:— (1) In employment, (2) Persons not working but looking for work, (3) Housewives and other unpaid home houseworkers, (4) Pensioner persons living on rents, etc., but not working, (5) Students, (6) Inmates of prisons, mental and other institutions, and (7) Others. It will be noted that the first two categories correspond to the economically active, and the remaining five categories correspond to the economically inactive.

The main difference between the Federation and the Singapore census in this respect lies in the time period relating to which the information was obtained. In the case of Singapore the information for each individual related to the seven days (the reference week) prior to the day on which he was enumerated in the preliminary enumeration. In the case of the Federation the period of reference was twelve months prior to the preliminary enumeration, with the provisos that (a) Persons in employment include those who have been gainfully employed for at least 4 out of the 12 months, and (b) Persons not working but looking for

1. All these reports bear the following bibliographical details: Federation of Malaya Department of Statistics, *1957 Population Census of the Federation of Malaya*, (followed by details pertaining to each report), Kuala Lumpur, various dates of issue beginning from September 1957.

2. The corresponding analysis for the economic characteristics for Singapore has been published in Saw Swee Hock and Ronald Ma, "The Economic Characteristics of the Population of Singapore, 1957", *Malayan Economic Review*, Volume V, Number 1, April 1960, pp. 31-51. To avoid repetitious references to that article, it is to be taken for granted that in all comparative analysis hereafter between the Federation and Singapore it forms the chief source of reference, unless otherwise noted.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

work should refer to those who have been in employment for less than 4 out of the 12 months, but who have been actively looking for work for at least 6 out of the 12 months.

Theoretically there are advantages in relating the information on economic characteristics to a fairly long period of time. Where there is seasonality in the employment conditions of the population, as is the case with a large part of the rural areas of the Federation, each individual's condition over the period of a year would obviously tend to even out the fluctuations due to this factor. In any case a longer period of time reference would seem to have the advantage of producing a better average picture for the population as a whole.<sup>3</sup>

On the other hand the practical problem in obtaining information referring back over a long period of time constitutes the major disadvantage of the procedure adopted in the Federation census. Perhaps the worse problem is that connected with the memory of the interviewees. In straightforward cases where individuals have been almost continuously in employment or where they have been consistently unemployed the answer should be simple to obtain. It would not be so all simple especially in the rural areas where precisely because of the factor of seasonality, individuals have been in and out of employment over the year. The more realistic and therefore the more difficult situation is in respect of those persons who have been in full employment for some short period of time and in part-time employment for some other short period of time. The provisos laid down are required for the purpose of differentiating between the employed and the unemployed, but the tax on the memory of the interviewees is certain to militate against obtaining reliable information, especially in respect of the unemployed.<sup>4</sup>

In respect of the data on unemployment, what have been advanced as factors tending to underestimate such data in Singapore apply to a large extent also in the Federation. Further there is in the latter case the problem caused by the

3. The proviso for determining a person in employment is perhaps related to that for the inclusion of part-time workers as in employment. The latter are defined in the census as those who have worked regularly at an average of at least 3 hours per day. The implication is that in terms of time 4 months' full employment corresponds to regular employment throughout the year at 3 hours per day. This being so, it is somewhat puzzling to see included in the same category of 'persons in employment' persons who have worked for at least 4 out of the past 12 months at an average of at least 3 hours per day. The majority of such persons would correspond to those with less than 4 months' full employment, and under such a situation inconsistencies in the census data would ensue.

An alternative interpretation of the census instructions is to regard the planners as being concerned, not so much with the correspondence between full and part-time work but with the seasonality of work. Therefore regardless of whether a person is in full employment or in part-time employment, part-time employment being defined as working an average of at least 3 hours per day, he should be included in the category of 'in employment' if he has been working for at least 4 out of the 12 months. This category would then include persons ranging from 4 months' part-time work at 3 hours per day to 12 months' full-time work, ignoring any time correspondence at the lower end of the range. Thus a person with 3 months' full-time work, say, could be excluded from the category even though in point of total time of work and possibly in point of income he has done more work than a person with 4 months' part-time work as defined.

On balance it would appear that the second alternative was the interpretation that was meant, with its vagueness and its inconsistencies.

4. The category unemployed or persons not working but looking for work includes persons who have been in employment for less than 4 months but who have been looking for work for at least 6 months, out of the 12 months. Here again the phrase 'in employment' should be taken as regardless of full or part-time employment.



## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

memory-strain in the longer time reference adopted. This, combined with the somewhat vague instructions, as well as the desire for prestige on the part of the interviewees, tends to depress the unemployment figure even more in relation to the figure of employment.<sup>5</sup> No wonder that as compared with the already underestimated 5% of the economically active who were unemployed in Singapore, the corresponding percentage in the Federation was under 2 (or about 38,600 persons unemployed out of a total of 2,164,800 economically active).

The economically inactive for the Federation comprised more or less the same categories of persons as for Singapore.

### CLASSIFICATION BY OCCUPATION AND BY INDUSTRY

By and large the classification of the economically active by occupation and by industry followed parallel lines in both the Federation and Singapore. As a whole the two areas have kept in close consultation to ensure uniformity in their systems of classification. It would be useful here to summarise the points arising in the system of classification adopted as well as in the practical application for the collection of the census data.<sup>6</sup>

For the Federation census, occupation referred to the kind of work or nature of duties at which the person has spent most time during the past 12 months. Industry referred to the kind of trade or business in which the person has spent most of his time during the past 12 months.

Detailed instructions have been provided to the enumerators to obtain the information on occupation and industry clearly and precisely, and also to differentiate between occupation and industry where there is any specialisation or large-scale employment in an industry. Enumerators were also made aware of some of the problems likely to be encountered, such as the difficulty of specifying the exact industry of a firm or establishment producing or dealing in several products, the difficulty of placing the industry of a person who works in a firm having a number of separate activities, and the difficulty of entering the infor-

5. In the Federation it is perhaps more accurate to put this statement alternatively as follows: that because of the definition of persons in employment, this category tends to be overestimated in relation to the category of unemployed. The borderline cases between the two categories comprise in effect largely the under-employed. Had the definition of persons in employment been more stringent, the overestimation would be less blatant.

There is thus a strong case in countries where there is sizeable rural under-employment to alter the census technique in such a way that only the minimum basic demographic data are collected from the totality of the population, leaving such intricate information as economic activity to be covered by a sample enquiry possibly attached to the census itself. In this way it may be feasible to expand the definitions as desirable and to include questions as required so that the information collected can be more realistic.

As matters stand now the analysis and interpretation of the two categories comprising the economically active must be subject to the inadequacies of the definitions used.

6. For full details of the systems of classification, see *Malayan Classification of Occupations, 1957* and *Malayan Industrial Classification, 1957*. Both these references as well as further references dealing with the practical application are quoted in Saw Swee Hock and Ronald Ma *op. cit.* (footnotes 7, 8, 11-13). See also 1957 *Population Census of the Federation of Malaya Report No. 13 — Administrative Report*, for practical matters relating to the classification problems for the current census.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

mation for persons with a number of occupations.<sup>7</sup>

An important change in the principle of industrial classification compared with previous censuses deserves specific mention. The processing, packing and grading of rubber, the production of palm oil, copra, coconut oil and toddy, and the manufacture of tea, whether on estates or in factories, are now included in agriculture rather than in manufacture. This change was introduced at the instance of the Federation, that it would be more appropriate to include the activities enumerated under agriculture because they are in most cases simultaneously carried out on estates, and it would be difficult to differentiate the various stages of production. For the sake of uniformity in classification, Singapore has adopted the same procedure.

### CLASSIFICATION BY OCCUPATIONAL STATUS

While Singapore adopted four categories in respect of occupational status, namely, employer, worker on own account, unpaid family worker and employee, the Federation made use of only three categories, combining the two categories of employer and worker on own account into one category of self-employed person.

The collection of the information relating to occupational status for Malaya comprising both the Federation and Singapore was first introduced in the 1947 census employing the four-category classification. The analysis and interpretation of the results obtained made use of the relationship between employers and employees as well as of the persons working on own account to point up the characteristic features of the Malayan economy and of the economies of the various communities.<sup>8</sup> To a large extent the 1957 Singapore census results have been studied in a similar manner.

It is therefore somewhat surprising to find the three-category classification in the current Federation census. Apart from the limited scope for analysis, this classification suffers from the disadvantage that the self-employed category has become a very heterogeneous group, ranging, for the rubber industry for instance, from the estate employer employing a large number of persons to the poorest tapper owning a few aged rubber trees. A similar situation applies in respect of several other industries.

### COMPARABILITY WITH PREVIOUS CENSUSES AND WITH THE SINGAPORE CENSUS

A general point to note is the fact that in recent censuses prior to 1957 the operation covered the whole area comprising the present Federation of Malaya and State of Singapore. In the 1957 census the operation was carried out in the

7. Where multiple occupations are common, as they are among the rural population, it is arguable that the longer time reference of the Federation census has an advantage over the procedure of the Singapore census. In the latter case, in relation to the reference week, the statement that 'In the case of a person with two or more occupations, the one in which he spends most of his working time is taken as the principal occupation' becomes somewhat indefinite.

8. M.V. Del Tufo, *Malaya: A Report on the 1947 Census of Population*, London, The Crown Agents for the Colonies, 1949, pp. 111-112.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

two areas separately, each with its own census superintendent. Although the census date was identical in both areas, and although there was liaison and consultation between the two census superintendents, there have nevertheless been differences between the two.

In point of time comparability, the general transient categories excluded from detailed tabulation in the pre-1957 censuses have been:<sup>9</sup> (a) Transients afloat, and (b) Service personnel in service establishments. In 1957 the corresponding categories excluded were: (a) Transients afloat, and (b) Foreign-based diplomatic and consular representatives of Commonwealth and foreign countries. Of the 1957 exclusions, the diplomatic and consular personnel could not amount to any significant number. On the other hand the service personnel excluded in the pre-1957 censuses is of some significance. Thus in 1947 these numbered 38,379 made up of 12,519 stationed in the Federation and 25,860 in Singapore. In 1957 the service personnel were divided into two categories, namely, Armed Forces (Malayan Government) and Armed Forces (Other Governments), and it is the latter category (numbering some 34,000 in the Federation) which is comparable with the 12,500 odd stationed in the Federation in 1947.

Another point is that while in 1957 the information on the economic characteristics was required to be collected from persons 10 years of age or over, in the censuses before 1957 there had been no such age limit. The only difference is that the 1957 procedure is more specific and therefore probably prevented some nonsense information being collected.

In point of comparability with Singapore in 1957, the Singapore census followed previous procedures in the exclusions of the general transient categories. The relative situation in the two areas can be summarised as follows: (a) Both areas excluded the transients afloat; (b) Singapore included diplomatic personnel but the Federation excluded this category. The number involved in either case must have been very small; and (c) Singapore excluded non-locally domiciled service personnel (numbering some 27,300) and their families, while the Federation included the corresponding category, numbering some 34,000 apart from their families.

A more serious matter in the comparison between the two areas is in the tabulation of the census results. The detailed tabulation of the 1957 Federation census involving ethnic groups employed four ethnic groupings, Malaysians, Chinese, Indians, and Others. This procedure differs from that of the Singapore tabulation in that the latter adopted Indians and Pakistanis as a group instead of only Indians.

As a whole most of the persons who came to Malaya from the Indian sub-continent were from the south, and these comprise Indians in the present political context. In the census schedules for individuals used in the Federation in 1957,

9. In each census there may be other transients specific to the circumstances at the time of the census who are excluded. Thus in 1947 these comprised the Japanese surrendered personnel numbering about 9,000 for the whole of Malaya, and in 1957 these were the terrorists in the jungle numbering about 2,000 (and mostly located in the Federation) as well as one or two small groups of 'hostile' aborigines.



## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

the item 'race' provided a code for Pakistani, and the total number of Pakistanis enumerated in this way amounted to around 9,100 as against 695,000 Indians. However the Singapore census did not adopt a specific code for Pakistani, for the reason that this would only include those persons who are politically conscious, resulting in a possible underestimate of the Pakistanis. The results of the census in Singapore actually confirmed this view. Persons who were Indians and Pakistanis were asked to state specifically whether they were Indian Tamil, Malayali, Punjabi, Sikh, Bengali, Gujerati, Telugu, or Pathan. In the tabulated census data, for this group of Indians and Pakistanis comprising some 124,000 persons, apart from the sub-groups enumerated, there were some 5,600 persons designated "other Indian and Pakistani" and 3,000 persons designated "'Indian' and 'Pakistani' (so specified)". These last two categories indicates the indeterminacy on the part of a sizeable number of persons and their inability or possibly unconcern to identify themselves as either Indians or Pakistanis.<sup>10</sup>

However the problem would arise only in respect of comparability either with Singapore or with previous censuses. In the tabulation itself and in the analysis and interpretation the ethnic grouping for 'Indians' only should provide results which are interesting and useful in themselves.

Reference should also be made to what has been said in the preceding sections with respect to comparability in the matter of concepts and definitions relating to economic characteristics.

### II. ECONOMIC STRUCTURE OF THE POPULATION

The total population enumerated in the 1957 Federation census amounts to 6,278,758. Of these 4,207,078 (or 67%) are 10 years of age or over. Their distribution by economic activity status is shown in Table I. Just over half of the persons 10 years old or over are economically active, and of these over 98% were returned as working, leaving 1.8% not working but looking for work. The economically inactive comprises 58.9% home houseworkers, 32.2% full-time students, 0.8% inmates of institutions, 2.5% pensioners and other persons with private means, and 5.7% in the category 'others' made up largely of unpaid social workers and persons who are unable to work because of age or physical disabilities. There is also in this last category a small number of persons whose economic activity status is not stated.

The comparison with Singapore shows a much smaller per cent of persons not working but looking for work,<sup>11</sup> a smaller per cent of persons in the category 'others' of the economically inactive, and a larger per cent of pensioners

10. In the Federation it was in fact not possible for persons who were indeterminate to have themselves enumerated apart from 'other Indians'. It is however also pertinent to point out that the procedure adopted in Singapore makes it practically impossible to determine the number of Pakistanis enumerated there.

11. The unemployed persons in Singapore can also be classified into the two groups, namely persons who have previously worked and those who have never previously worked. The failure in the Federation to provide for the enumeration of the second group may have resulted in a number of them being included in the economically inactive category.

# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

and other persons with private incomes. There is a correspondingly larger per cent of employed persons in the Federation, while the proportions of persons in the remaining groups of the economically inactive are more or less similar in the two areas.

TABLE I. FEDERATION OF MALAYA, 1957—DISTRIBUTION OF THE POPULATION 10 YEARS OF AGE AND OVER BY ECONOMIC ACTIVITY STATUS AND SEX

	Persons			Per cent distribution		
	Total	Male	Female	Total	Male	Female
Total population	6,278,758	3,237,579	3,041,179			
Persons aged 10 and over	4,207,078	2,186,646	2,020,432	100.0	100.0	100.0
Economically active	2,164,861	1,635,080	529,781	51.5	74.8	26.2
Economically inactive	2,042,217	551,566	1,490,651	48.5	25.2	73.8
Economically active	2,164,861	1,635,080	529,781	100.0	100.0	100.0
Persons working	2,126,182	1,602,799	523,383	98.2	98.0	98.8
Persons not working but looking for work*	38,679	32,281	6,398	1.8	2.0	1.2
Economically inactive	2,042,217	551,566	1,490,651	100.0	100.0	100.0
Housewives and other home houseworkers	1,202,671	33,969	1,168,702	58.9	6.2	78.4
Full-time students	656,830	413,622	243,208	32.2	75.0	16.3
Inmates of institutions	16,306	12,090	4,216	0.8	2.2	0.3
Pensioners and persons with private incomes	50,282	31,566	18,716	2.5	5.7	1.3
Others**	116,128	60,319	55,809	5.7	10.9	3.7

Note: In this and in subsequent tables, where totals do not tally, the reason is that of approximation, unless otherwise stated.

\* There is no classification in the Federation census between persons who have previously worked and first-timers.

\*\* Others include 4,706 persons whose economic activity status is not stated.

In the analysis by sex, as compared to Singapore the Federation males have a smaller proportion economically active while the Federation females have a larger proportion economically active. Among the economically active, all but 1% of the females were enumerated as employed. The large number of women helping on the farms and, owing to the vagueness of definitions, having themselves reported as working probably irrespective of the amount of work done, can be a contributing factor towards this result. In any case in both the males and the females there seems to be an overestimation in the statistics of employment.

Among the economically inactive, the student category corresponds in proportion to the same category in Singapore, and the reasons for the sex differentials are probably the same in both areas, namely that the low ratio of female students is due to (a) early age at which girls marry, (b) economic considerations particularly in large families, and (c) shortage of school-building facilities. Both the males and the females in the Federation also show a larger proportion of

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

pensioners and a smaller proportion of the residual category of economically inactive as compared with Singapore, with the females having slightly more influence than the males in either category. On the other hand, there seem to be proportionately more male home houseworkers than in the case of Singapore, over 6% of the male economically inactive in the Federation being home houseworkers as compared to under 2% in Singapore.

Within the Federation itself, however, it would be useful to analyse the economic structure of the population in some detail, to study the variation among ethnic groups and among the different states. Table II shows a detailed analysis of this nature relating to economic activity status. Only the three major ethnic groups are taken into consideration in this analysis for the reason that the remainder comprises a number of minor heterogeneous groups the analysis and interpretation of which as one single group would not be of any significant meaning or usefulness. In any case the Malaysians, Chinese and Indians aged 10 and over number 4,114,042, and this is nearly 98% of all persons aged 10 and over in the Federation.

### MALAYSIANS

The proportion of Malaysian males who are economically active is larger than that of the Chinese males but less than that of the Indian males. For the Federation as a whole, about 75% of Malaysian males 10 years of age and over are economically active, as compared to about 71% in the case of the Chinese and 82% in the case of the Indians.

Among the states there is some variation in the proportions of Malaysian male economically active. In the relatively rural states with large numbers of Malaysians along the east coast including Kedah and Perlis the proportion is between 75 and 80%, while states along the west coast tend to have proportions between 70 and 75%. Malacca has the smallest proportion of 68%, while Pahang has the largest proportion of 80%.

The economically inactive, being the converse of the economically active, shows proportions among the states of an opposite nature, namely, that states along the east coast have a smaller proportion of males who are economically inactive as compared to states along the west coast.

The economic structure of the females is of course entirely different from that of the males, the proportion of economically active among the females being as a rule smaller than that of economically inactive. The overall proportion of economically active among the Malaysian females in the Federation is about 24%, and this is not very different from that of the Chinese females at 25%. Both these proportions however are small compared to the Indian proportion of about 45%.

The inter-state comparison in respect of the Malaysian females shows a similar variation as in the case of the Malaysian males, but to a somewhat greater extent. The east coast states have a relatively much large proportion of economically active females, ranging between 25 and 35% of their respective population aged 10 and over, as compared with the west coast states. These states, with the exception of Negri Sembilan, have a corresponding proportion of only between



TABLE II. FEDERATION OF MALAYA 1957 — ANALYSIS OF POPULATION AGED 10 AND OVER BY ECONOMICALLY ACTIVE AND ECONOMICALLY INACTIVE, FOR EACH STATE, EACH MAJOR ETHNIC GROUP, AND EACH SEX

	Persons aged 10 & over	Males				Persons aged 10 & over	Females			
		Economically active		Economically inactive			Economically active		Economically inactive	
		Number	% of Persons aged 10 & over	Number	% of Persons aged 10 & over		Number	% of Persons aged 10 & over	Number	% of Persons aged 10 & over
MALAYSIANS										
Selangor	96,775	73,290	75.7	23,458	24.3	89,494	10,616	11.9	78,878	88.1
Penang	55,593	39,206	70.5	16,387	29.5	58,294	6,693	11.5	51,601	88.5
Perak	158,812	119,369	75.2	39,443	24.8	159,586	30,220	18.9	129,366	81.1
N. Sembilan	47,377	35,009	73.9	12,368	26.1	49,606	14,769	29.8	34,837	70.2
Johore	141,965	105,229	74.1	36,736	25.9	138,792	26,755	19.3	112,037	80.7
Malacca	40,897	27,867	68.1	13,030	31.9	51,072	8,744	17.1	42,328	82.9
Pahang	61,040	49,081	80.4	11,959	19.6	59,824	16,503	27.6	43,321	72.4
Trengganu	84,577	65,101	77.0	19,476	23.0	90,220	22,899	25.4	67,321	74.6
Kelantan	156,390	117,290	75.0	39,100	25.0	163,951	60,332	36.8	103,619	63.2
Kedah	157,731	121,199	76.8	36,532	23.2	161,666	46,679	28.9	114,987	71.1
Perlis	24,356	18,683	76.7	5,673	23.3	25,227	8,195	32.5	17,032	67.5
CHINESE										
Selangor	170,282	119,778	70.3	50,504	29.7	162,947	42,634	26.2	120,313	73.8
Penang	112,250	76,507	68.2	35,743	31.8	113,093	13,676	12.1	99,417	87.9
Perak	187,292	129,592	69.2	57,700	30.8	179,599	48,651	27.1	130,948	72.9
N. Sembilan	54,063	39,881	73.8	14,182	26.2	47,231	18,688	39.6	28,543	60.4
Johore	138,316	99,708	72.1	38,608	27.9	119,990	33,317	27.8	86,673	72.2
Malacca	41,967	29,835	71.1	12,132	28.9	38,863	7,122	18.3	31,741	81.7
Pahang	41,739	31,571	75.6	10,168	24.4	32,796	13,698	41.8	19,098	58.2
Trengganu	7,476	5,694	76.2	1,782	23.8	5,420	1,080	19.9	4,340	80.1
Kelantan	10,820	7,838	72.4	2,982	27.6	9,011	2,284	25.3	6,727	74.7
Kedah	52,267	38,114	72.9	14,153	27.1	44,934	7,077	15.7	37,857	84.3
Perlis	5,759	4,401	76.4	1,358	23.6	4,735	817	17.3	3,918	82.7
INDIANS										
Selangor	78,621	63,977	81.4	14,644	18.6	53,533	24,259	45.3	29,274	54.7
Penang	31,781	25,561	80.4	6,220	19.6	17,107	2,546	14.9	14,561	85.1
Perak	69,751	56,225	80.6	13,526	19.4	48,417	21,953	45.3	26,464	54.7
N. Sembilan	20,717	17,382	83.9	3,335	16.1	13,906	7,444	53.5	6,462	46.5
Johore	29,113	25,063	86.1	4,050	13.9	16,689	9,115	54.6	7,574	45.4
Malacca	9,241	7,650	82.8	1,591	17.2	5,950	3,013	50.6	2,937	49.4
Pahang	8,912	7,883	88.5	1,029	11.5	5,379	3,089	57.4	2,290	42.6
Trengganu	1,813	1,697	93.6	116	6.4	360	98	27.2	262	72.8
Kelantan	2,766	2,447	88.5	319	11.5	1,169	640	54.7	529	45.3
Kedah	26,062	22,181	85.1	3,881	14.9	17,571	9,984	56.8	7,587	43.2
Perlis	795	704	88.6	91	11.4	294	45	15.3	249	84.7
All Malaysians	1,025,513	771,524	75.2	254,189	24.8	1,047,732	252,405	24.1	795,327	75.9
All Chinese	822,231	582,919	70.9	239,312	29.1	758,619	189,044	24.9	569,575	75.1
All Indians	279,572	230,770	82.5	48,802	17.5	180,375	82,186	45.6	98,189	54.4

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

10 and 20%. This means also that the proportion of Malaysian economically inactive females is generally relatively smaller in the east coast states and larger in the west coast states.

It would seem from this analysis that the rural population in the Federation tend to report relatively more economically active as compared to the urban population according to the definition employed and the procedure adopted. The definition would tend to affect the data collected from the rural population in that persons on farms are likely to report themselves as economically active irrespective of the time element introduced into the definition. In other words, the category is likely to include some element of economically inactive among the aged and among the teenagers, and even among the adults it is likely to include a proportion of the severely underemployed who in strict adherence to the definition should be regarded as economically inactive.

### CHINESE

For the Federation as a whole, the Chinese males have a smaller proportion of economically active compared to the Malaysian males, while the proportion of the Chinese female economically active is similar to that of the Malaysian females. The larger proportion of Malaysians engaged in agriculture and living on farms may be a reason for the difference; other reasons include the larger number of Chinese youths who are in schools<sup>12</sup> and probably a somewhat larger number of Chinese who have independent means of livelihood.

The analysis by states shows almost an identical pattern in respect of the Chinese males as in the case of the Malaysians. That is, in the relatively rural and underdeveloped states there is a somewhat larger proportion of economically active as compared to the more developed states on the west coast. The position with regard to the Chinese females is not so clear-cut; the proportion of Chinese female economically active is the lowest in Penang with about 12%, followed by Kedah, Perlis, Malacca and Trengganu with percentages between 15 and 20, further followed by Kelantan, Selangor, Perak and Johore with percentages between 25 and 30, and topped by Negeri Sembilan and Pahang with percentages around 40.

It is of interest to note that most of the states with a small proportion of female economically active have the largest proportion of Hokkiens and Tiechiens, while most of the states with a large proportion of female economically active have the largest proportion of Cantonese and Kheks.<sup>13</sup> It is thus possible that the proportion of female economically active depends on the customs, traditions or economic conditions of the different Chinese communities relating to females taking up paid employment.

### INDIANS

The striking feature in respect of the Indians is that both the males and the females have a large proportion of economically active, larger than the other two major ethnic groups. This is particularly so in the case of the females.

The explanation for this feature is probably to a large extent economic. A

12. Thus, although the number of Malaysians aged 10 and over is about 2 million compared to about 1½ million Chinese, the number of Malaysians aged 10 and over who are students is about 290,000 compared to 302,000 in respect of Chinese of the same category.

13. See bottom p. 20.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

large proportion of the Indians in the Federation are employed as labourers on estates; they tend to supplement their family income by sending their womenfolk to work and also by taking their children off schools to earn their living. A further factor is introduced by the return of many aged Indians to India, thus causing a smaller proportion of economically inactive to economically active.

The state analysis for the Indian males again follows the same pattern as that for the Malaysians and the Chinese. In the case of the females, with the exception of Penang, Perlis and Trengganu, more or less the same pattern applies, namely, Selangor Perak, Negri Sembilan, Johore and Malacca have proportions of female economically active between 45 and 55%, while Pahang, Kelantan and Kedah have proportions around and above 55%. Penang has a proportion of only about 15%, but this is due to the fact that many Indians there are of the merchant class and therefore do not in many cases need to send their womenfolk to work or take their children off schools at an early age. Perlis and Trengganu both have rather small proportions, but the numbers of Indian females in these states are too small to affect the general picture or to warrant any detailed discussion.

### III. THE ECONOMICALLY INACTIVE POPULATION

In this discussion of the general pattern of the economically inactive population, the data for the economically inactive are combined to form three categories, namely, housewives and other unpaid home houseworkers, students, and the remainder comprising pensioners and persons living on rents, inmates of institutions, and those too old or unable to work. The first two categories account for about 80% of the economically inactive among the males, and 95% of the economically inactive among the females.

Table III provides an analysis of the economically inactive by these broad categories for each state, each major ethnic group and sex.

For the Federation as a whole, among the male economically inactive, those doing unpaid housework form a small proportion of 5 to 7%. The students form about three-quarters with the Chinese having the largest proportion and the Indians the smallest proportion. The remainder group makes up the rest, namely about 20% for each of the ethnic groups.

13. This can be seen from the following table showing the proportions of the various major communities to the total Chinese population in each of the states (the states being arranged in order of increasing importance of female economically active):—

	<i>Hokkien</i>	<i>Tiechiu</i>	<i>Khek</i>	<i>Cantonese</i>	<i>Hainanese</i>
Penang	43.6	21.8	9.5	19.2	3.4
Kedah	30.3	30.1	15.3	15.5	2.6
Perlis	30.4	12.0	32.3	14.6	3.8
Malacca	40.0	8.3	25.1	10.6	11.3
Trengganu	33.5	6.1	9.3	14.8	28.6
Kelantan	58.8	3.8	9.0	14.9	8.0
Selangor	32.7	6.3	25.9	25.6	5.1
Perak	20.4	9.4	25.1	30.9	3.0
Johore	39.3	16.6	19.8	9.8	7.3
N. Sembilan	22.9	2.4	33.6	26.4	5.9
Pahang	18.4	3.8	23.9	26.3	6.7

Johore seems to be the only state that does not fit in with the general conclusion arrived at in the text.



TABLE III. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS  
OF ECONOMICALLY INACTIVE FOR EACH STATE,  
EACH MAJOR ETHNIC GROUP, AND EACH SEX

	Males				Females			
	Per cent economically inactive who are				Per cent economically inactive who are			
	Housewives and other unpaid home house- workers	Students	Remainder	Total	Housewives and other unpaid home house- workers	Students	Remainder	Total
<b>MALAYSIANS</b>								
Selangor	5.4	74.6	20.0	100.0	82.8	13.7	3.5	100.0
Penang	4.5	74.5	21.0	100.0	81.7	14.3	3.9	100.0
Perak	6.2	76.3	17.5	100.0	82.7	13.3	4.0	100.0
N. Sembilan	8.8	73.2	18.1	100.0	81.3	15.6	3.1	100.0
Johore	4.2	78.8	17.0	100.0	80.2	16.4	3.5	100.0
Malacca	5.4	71.3	23.3	100.0	82.5	12.1	5.5	100.0
Pahang	7.6	75.3	17.2	100.0	83.0	13.0	3.9	100.0
Trengganu	4.6	69.0	26.4	100.0	81.0	10.7	8.3	100.0
Kelantan	11.3	67.8	20.9	100.0	78.7	10.9	10.4	100.0
Kedah	10.1	74.0	15.8	100.0	83.9	11.2	4.9	100.0
Perlis	11.0	70.6	18.4	100.0	79.4	13.9	6.7	100.0
<b>CHINESE</b>								
Selangor	4.2	76.5	19.4	100.0	71.7	21.2	7.1	100.0
Penang	3.0	79.2	17.7	100.0	77.7	18.0	4.3	100.0
Perak	5.8	76.2	18.0	100.0	73.7	20.3	6.0	100.0
N. Sembilan	7.1	78.0	14.9	100.0	69.6	25.4	4.9	100.0
Johore	5.2	77.4	17.4	100.0	74.0	21.2	4.8	100.0
Malacca	4.3	78.0	17.7	100.0	76.3	19.2	4.5	100.0
Pahang	4.4	80.9	14.7	100.0	66.8	27.5	5.7	100.0
Trengganu	4.8	77.3	17.9	100.0	73.1	21.8	5.1	100.0
Kelantan	8.4	77.6	14.1	100.0	72.8	21.4	5.8	100.0
Kedah	6.7	77.5	15.8	100.0	77.9	18.5	3.7	100.0
Perlis	12.2	75.0	12.8	100.0	79.3	15.6	5.1	100.0
<b>INDIANS</b>								
Selangor	5.5	73.7	20.9	100.0	76.5	18.3	5.2	100.0
Penang	4.6	71.0	24.4	100.0	81.8	15.0	3.2	100.0
Perak	6.9	69.9	23.2	100.0	77.2	17.8	5.0	100.0
N. Sembilan	8.6	74.8	16.6	100.0	75.1	21.1	3.8	100.0
Johore	5.8	73.8	20.4	100.0	73.8	22.5	3.7	100.0
Malacca	4.1	76.4	19.5	100.0	71.7	23.6	4.7	100.0
Pahang	6.6	70.7	22.6	100.0	77.2	17.9	4.8	100.0
Trengganu	11.2	63.8	25.0	100.0	80.5	18.3	1.1	100.0
Kelantan	13.5	65.8	20.7	100.0	77.9	19.3	2.8	100.0
Kedah	10.5	64.9	24.6	100.0	79.1	15.4	5.5	100.0
Perlis	15.4	67.0	17.6	100.0	82.7	14.1	3.2	100.0
All Malaysians	7.2	73.6	19.2	100.0	81.7	13.0	5.3	100.0
All Chinese	5.0	77.4	17.6	100.0	74.0	20.5	5.4	100.0
All Indians	6.5	71.6	21.9	100.0	77.3	18.1	4.6	100.0

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

Among the female economically inactive, the majority naturally comprises housewives and unpaid houseworkers, the Malaysians having the largest proportion with over 80% and the Chinese the smallest proportion with 74%. The proportion of students is higher for the Chinese and the Indians (around 20%) than for the Malaysians (13%). The remainder group is small proportionately in all cases, around 5%.

The detailed analysis by states shows fairly clear-cut patterns, and these will be briefly indicated in the following paragraphs.

The male unpaid houseworkers in the case of all three ethnic groups make up a smaller proportion of the corresponding male economically inactive in the relatively developed states as compared with the less developed states. The male students in the case of the Malaysians and Indians form a larger proportion in the developed states than in the less developed states, while in the case of the Chinese the proportion is fairly constant throughout all the states. This is probably a reflection of the emphasis the Chinese place on education for their children. The remainder group forms a slightly larger proportion in the developed states than in the other states.

In the case of the female housewives and unpaid houseworkers, their proportion to female economically inactive is constant in all the states for the Malaysians. For the Indians the proportion is also fairly constant (between 75 and 80%) in all the states except Johore and Malacca which have proportions below 75%, and Penang and Perlis which have proportions above 80%. The Chinese pattern follows more or less their pattern of economically active among the females: those states with a small proportion of economically active tend to have a large proportion of housewives among their economically inactive, and vice versa.

The female students tend to have a similar pattern among all the three ethnic groups, namely, the relatively more developed states have a larger proportion of students than the less developed states.

Finally, in respect of the small number belonging to the remainder category, there does not appear to be any clear-cut pattern among the Chinese and the Indians, whereas among the Malaysians there is a distinctly larger proportion in the less developed states compared to the more developed ones.

### IV. THE ECONOMICALLY ACTIVE POPULATION

The analysis of the economically active forms an important part in the study of the economic characteristics of a population. This analysis will be systematically dealt with in the following sections concerning unemployment among the economically active, the classification of the economically active by industry, by occupation, and by occupational status.

#### (A) UNEMPLOYMENT AMONG THE ECONOMICALLY ACTIVE

The detailed analysis of the economically active comparing the proportion of those working with the proportion of those not working but looking for work is set out in Table IV.

The conceptual and practical problems involved in the collection of the data relating to unemployment with specific reference to the 1957 Federation

TABLE IV. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS  
OF ECONOMICALLY ACTIVE FOR EACH STATE,  
EACH MAJOR ETHNIC GROUP, AND EACH SEX

	Males			Females		
	Per cent economically active who are			Per cent economically active who are		
	Working	Not working but looking for work	Total	Working	Not working but looking for work	Total
<b>MALAYSIANS</b>						
Selangor	97.6	2.4	100.0	98.2	1.8	100.0
Penang	95.5	4.5	100.0	97.9	2.1	100.0
Perak	97.2	2.8	100.0	98.6	1.4	100.0
N. Sembilan	97.3	2.7	100.0	99.5	0.5	100.0
Johore	98.5	1.5	100.0	99.2	0.8	100.0
Malacca	94.3	5.7	100.0	98.6	1.4	100.0
Pahang	98.3	1.7	100.0	98.9	1.1	100.0
Trengganu	98.2	1.8	100.0	98.9	1.1	100.0
Kelantan	99.2	0.8	100.0	99.8	0.2	100.0
Kedah	97.9	2.1	100.0	98.8	1.2	100.0
Perlis	97.5	2.5	100.0	99.0	1.0	100.0
<b>CHINESE</b>						
Selangor	98.5	1.5	100.0	98.3	1.7	100.0
Penang	97.1	2.9	100.0	96.2	3.8	100.0
Perak	98.0	2.0	100.0	98.4	1.6	100.0
N. Sembilan	98.7	1.3	100.0	99.0	1.0	100.0
Johore	98.9	1.1	100.0	99.2	0.8	100.0
Malacca	97.8	2.2	100.0	98.3	1.7	100.0
Pahang	98.8	1.2	100.0	99.0	1.0	100.0
Trengganu	98.9	1.1	100.0	98.3	1.7	100.0
Kelantan	99.1	0.9	100.0	99.4	0.6	100.0
Kedah	98.5	1.5	100.0	98.3	1.7	100.0
Perlis	98.5	1.5	100.0	99.4	0.6	100.0
<b>INDIANS</b>						
Selangor	97.9	2.1	100.0	98.8	1.2	100.0
Penang	96.3	3.7	100.0	95.7	4.3	100.0
Perak	97.9	2.1	100.0	98.4	1.6	100.0
N. Sembilan	98.3	1.7	100.0	99.2	0.8	100.0
Johore	98.8	1.2	100.0	99.5	0.5	100.0
Malacca	97.8	2.2	100.0	98.9	1.1	100.0
Pahang	98.8	1.2	100.0	98.9	1.1	100.0
Trengganu	99.4	0.6	100.0	96.9	3.1	100.0
Kelantan	99.5	0.5	100.0	99.8	0.2	100.0
Kedah	98.3	1.7	100.0	99.3	0.7	100.0
Perlis	97.7	2.3	100.0	97.8	2.2	100.0
All Malaysians	97.8	2.2	100.0	99.1	0.9	100.0
All Chinese	98.3	1.7	100.0	98.5	1.5	100.0
All Indians	98.0	2.0	100.0	98.8	1.2	100.0

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

Census have been discussed,<sup>14</sup> and the conclusion has been reached to the effect that these problems, which are closely connected with the somewhat unwieldy and loose definition adopted, tend to underestimate the unemployment situation to a large extent.

In view of this, it would seem unwarrantable to devote excessive effort to any full analysis of the unemployment data obtained from the census.<sup>15</sup> However, from Table IV, the overall proportion for the three ethnic groups is around 2% for the males, the Chinese proportion being smaller than the Malaysian or the Indian proportion. The proportion in respect of the females is smaller than the male proportion for the Malaysians and the Indians, while for the Chinese it is not very different.

For the various states, there is a general tendency for the relatively developed states to show a larger proportion of unemployed compared to the less developed states. Among the former, however, Johore seems to be the exception in that its proportion is consistently low for the different ethnic groups and for each sex, while among the latter Kedah and Perlis provide the exceptions in having rather high proportions. It is perhaps safe to surmise that the exceptions are merely a reflection of the differences in the understanding and the application of the definition relating to unemployment.

### (B) ANALYSIS BY INDUSTRY<sup>16</sup>

The analysis in this section follows the lines adopted in respect of Singapore, with the industrial sector divided into three broad industrial groups.<sup>17</sup> Table V shows that 62% of the economically active are engaged in the primary industries, only 10% in the secondary industries, and 28% in the tertiary industries. The gradual process of industrialisation which is gathering momentum is indicated by comparison with the industrial structure in 1947. A comparison with the industrial pattern of employment in other countries reveals an identity with other underdeveloped countries such as Pakistan and the Philippines.<sup>18</sup> Making

14. See under I.

15. The whole aspect of unemployment is of course of great importance, and it is hoped that enough has been said to stress the fact that accurate data on unemployment cannot be obtained through a full-scale census for countries such as Malaya. The only alternative would seem to be to collect the data through a small, carefully designed sample survey planned for the purpose of studying the economic characteristics of the sampled population intensively. The corresponding definitions should be thoroughly considered for conceptual suitability and for practicability, and it may well happen that several questions will have to be used to obtain the required information. This is however consistent with the intensive nature of the survey, and this approach should yield, apart from the data on unemployment, also data on the even more important aspects of underemployment, multiple occupations, and so on.

16. This analysis excludes 55,133 persons of other ethnic groups, 18,129 persons whose activities are not adequately described and 38,679 persons who are unemployed. It differs, therefore, from the Singapore census statistics which include the unemployed, other than first timers, in the classification by industry and occupation.

17. Primary industries are defined to include agriculture (including rubber processing), mining, fishing, hunting and forestry; secondary industries include manufacture, building and construction; and tertiary industries include electricity, gas, water and sanitary services, commerce and finance, transport, storage and communication, professional, personal, defence and other services, including government services not classified elsewhere.

18. See Saw Swee Hock and Ronald Ma, *op.cit.*, p. 41, Table VI.



## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

allowances for the earlier census years in the latter two countries and possible conceptual differences, it would appear that Malaya has progressed further from the heavy dependence on agriculture.

TABLE V. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS BY MAIN INDUSTRIAL GROUPS, 1947 AND 1957

Industrial group	1947	1957
Primary industries	67.6	61.8
Secondary industries	7.8	9.7
Tertiary industries	24.6	28.5
Total	100.0	100.0
Persons ('000)	1,897.8	2,108.0

*Note.* Persons whose activities are not adequately described and unemployed persons are excluded.

A more detailed analysis of the industrial distribution by ethnic group is given in Table VI. The employment of the Malaysians is concentrated in the primary sector, while the Chinese comprise the largest ethnic group in both the secondary and tertiary sectors.

In the detailed comparative analysis that follows, only the three major ethnic groups will be taken into account. The four tables, VII, VIII, IX, and X are accordingly drawn up comprising these three ethnic groups to facilitate this detailed analysis.

TABLE VI. FEDERATION OF MALAYA, 1957 — DISTRIBUTION BY ETHNIC GROUPS AND MAIN INDUSTRIAL GROUPS

Ethnic group	Persons ('000)				Per cent distribution by ethnic group				Per cent distribution by main industrial group			
	Total	Primary	Secondary	Tertiary	Total	Primary	Secondary	Tertiary	Total	Primary	Secondary	Tertiary
Malaysians	998.4	759.6	48.4	190.4	48.6	58.8	24.1	34.0	100.0	76.1	4.8	19.1
Chinese	749.7	350.4	130.1	269.2	36.5	27.1	64.8	48.0	100.0	46.7	17.4	35.9
Indians	304.8	181.3	22.4	101.1	14.8	14.0	11.1	18.0	100.0	59.5	7.3	33.2
Total	2,052.9	1,291.3	200.9	560.7	100.0	100.0	100.0	100.0	100.0	62.9	9.8	27.3

### PRIMARY INDUSTRIES

In terms of employment and output this is by far the most important sector, in which nearly 1,290,000 or 62% of the economically active are engaged. Agriculture, including rubber production, is the most important occupation of all the three main ethnic groups, in particular the indigenous Malays. The two largest sub-groups under agriculture are rubber and rice, employing over 600,000 and 390,000 workers respectively. Other important primary industries are mixed agriculture, fishing, tin, coconut and copra.

# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

In the primary sector the Malaysians comprise nearly 60% of all workers and this is more than twice the number of Chinese. There are also large and significant differences in the choice of occupation. It can be seen from Table VIII that 50% of the Malaysians are rice farmers and only 34% are engaged in the rubber industry, 57% of the Chinese are employed in the rubber industry, 16% in mixed agriculture, mainly cash crop vegetable farming, and 10% in tin; and 83% of the Indians are concentrated on rubber plantations. These marked preferences are reflected in the composition of the labour force in the individual industries. Thus 97% of the persons engaged in rice growing, 68% in fishing and 66% in coconut and copra production are Malaysians, while 68% of the persons engaged in mixed agriculture and 73% in tin are Chinese.<sup>19</sup>

TABLE VII. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS OF ECONOMICALLY ACTIVE OF THE THREE MAJOR ETHNIC GROUPS BY MAIN INDUSTRIAL SECTOR FOR EACH STATE

	Persons (000)	Industrial sector			
		Primary	Secondary	Tertiary	Total
Selangor	323.7	48.7	15.1	36.3	100.0
Penang	155.3	31.7	16.4	51.8	100.0
Perak	393.8	62.9	9.5	27.6	100.0
N. Sembilan	130.6	66.7	7.8	25.5	100.0
Johore	293.8	66.6	7.5	25.9	100.0
Malacca	80.8	53.1	13.5	33.4	100.0
Pahang	119.7	72.6	6.6	20.8	100.0
Trengganu	94.7	71.3	11.1	17.6	100.0
Kelantan	188.9	77.6	7.0	15.4	100.0
Kedah	239.6	76.8	5.6	17.7	100.0
Perlis	32.0	81.9	4.1	14.1	100.0
All states	2,052.9	62.9	9.8	27.3	100.0

Note: Some totals of percentages do not add up exactly to 100 because of approximation.

With the sole exception of Penang, agriculture plays a dominating role in the economic life of all the states, including the two rich mining states of Perak and Selangor. As indicated in Tables VII and VIII, the states appear to fall into two groups, the more developed and richer rubber-growing and tin-mining states comprising Selangor, Perak, Negri Sembilan, Johore and Malacca, and the less developed rice-growing states of Pahang, Trengganu, Kelantan, Kedah and Perlis. The ethnic group distribution in the states is of economic significance. The preference of the Chinese and Indians to sell their labour for an economic wage accounts for their concentration in the rubber-growing and tin-mining states; on the other hand, the Malaysian population in the rice-growing states is a very large majority and confirms the Malay preference for subsistence farming.

19. Though all three main ethnic groups are well represented in the rubber industry, there are significant differences in occupational status between ethnic groups. See under D.

TABLE VIII. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS OF THE ECONOMICALLY ACTIVE IN THE PRIMARY INDUSTRIES SECTOR BY INDUSTRIES, FOR EACH MAJOR ETHNIC GROUP IN EACH STATE

Per cent of persons employed in										
	Number of persons	Agriculture, forestry, hunting and fishing				Agri. products requiring substantial processing			Mining and quarrying	
		Rice	mixed agriculture	Fishing	Others	Rubber	Coconut, copra	Others	Tin	Others
MALAYSIANS										
Selangor	48,080	27.0	10.3	2.0	2.6	37.0	15.4	2.3	3.2	0.0
Penang	25,570	56.4	0.7	10.7	1.6	29.2	0.9	—	0.1	0.0
Perak	110,652	38.0	2.2	3.2	2.6	44.6	5.7	0.1	3.4	0.0
N. Sembilan	34,440	47.2	1.2	0.6	2.2	48.0	0.1	0.1	0.5	—
Johore	95,242	1.4	5.1	5.3	2.2	73.3	10.8	1.2	0.2	0.0
Malacca	21,696	12.3	1.5	8.2	2.4	74.7	0.7	—	—	0.0
Pahang	51,014	61.0	4.9	6.5	4.1	20.3	0.6	0.6	1.6	0.0
Trengganu	64,413	55.0	3.4	19.6	1.9	15.6	0.4	—	2.1	1.0
Kelantan	141,318	69.4	3.9	5.2	0.6	20.0	0.6	—	—	0.0
Kedah	143,808	73.2	0.3	2.1	0.5	23.8	—	—	—	0.0
Perlis	23,298	93.3	0.6	3.2	0.3	2.6	—	—	—	—
CHINESE										
Selangor	58,727	2.1	10.6	7.5	4.9	53.6	1.9	1.3	16.7	1.0
Penang	18,370	4.5	30.7	15.2	11.9	29.2	4.7	0.2	0.4	3.0
Perak	88,297	1.7	19.6	7.8	5.1	39.3	0.8	0.4	24.6	0.0
N. Sembilan	36,219	0.1	8.6	0.4	3.0	85.6	—	0.1	1.9	0.0
Johore	77,993	0.1	12.4	4.6	3.8	72.4	1.7	3.5	0.9	0.0
Malacca	14,633	2.2	19.7	4.8	2.1	68.7	0.8	—	0.5	1.0
Pahang	29,645	0.2	12.5	0.5	6.1	71.0	—	2.5	6.1	1.0
Trengganu	2,433	1.7	12.2	2.1	14.1	49.1	0.5	—	9.7	10.0
Kelantan	3,863	33.6	30.4	0.5	6.0	26.3	1.8	0.4	0.3	0.0
Kedah	17,503	18.4	21.2	3.4	6.2	45.8	0.2	0.1	3.9	0.0
Perlis	2,694	31.8	34.0	2.8	1.0	5.8	—	—	23.9	0.0
INDIANS										
Selangor	50,719	0.3	0.7	0.1	1.6	78.4	5.9	8.3	3.2	1.0
Penang	5,407	0.3	0.9	2.3	4.3	72.4	18.1	0.2	0.2	1.0
Perak	48,635	0.3	0.8	0.4	1.5	75.1	9.8	5.1	6.5	0.0
N. Sembilan	16,465	0.1	0.5	—	0.7	96.9	0.6	0.7	0.4	0.0
Johore	22,472	—	0.2	—	0.8	88.9	0.5	8.9	0.1	0.0
Malacca	6,552	0.1	0.5	—	0.6	98.5	0.3	—	—	—
Pahang	6,251	0.3	1.2	—	2.4	72.8	—	21.1	1.2	1.0
Trengganu	676	0.9	1.6	0.6	1.2	29.3	1.0	—	32.8	32.0
Kelantan	1,447	1.0	0.2	0.1	2.2	91.0	0.2	0.2	0.8	4.0
Kedah	22,558	0.4	0.2	0.3	0.5	96.9	1.1	—	0.1	0.0
Perlis	141	6.4	3.5	1.4	8.5	77.3	—	—	1.4	1.0
All Malaysians	759,631	50.1	3.2	5.5	1.7	34.3	3.4	0.4	1.0	0.0
All Chinese	350,377	2.7	15.6	5.5	5.0	57.2	1.2	1.3	10.4	1.0
All Indians	181,323	0.3	0.6	0.2	1.3	83.1	5.1	5.6	2.9	0.0

Note: "—" denotes in most cases that the number of persons involved is too small for significant percentages to be derived. In a few cases it denotes nil returns.

It has been suggested<sup>20</sup> that the sentimental paternalism of British rule has been instrumental in fossilizing the Malay social structure, but there are also economic factors which account for the failure of the Malays to adapt themselves to the changing economic environment. Their economic immobility results partly from their dependence on the Chinese middlemen who supply them with credit facilities, particularly on the east coast, the lack of any market organisation to assist in the disposal of their crops, and over-specialisation, for example, in the often ingenious methods of Malay fishermen.

## SECONDARY INDUSTRIES

Table IX shows the detailed analysis in respect of the secondary industries sector. About 200,000 persons or only 10% of the economically active are engaged in this sector comprising manufacture and building; of these 33% are in the building and construction sub-sector. These facts highlight two points, that by 1957 the industrialisation programme has not made much headway,<sup>21</sup> and secondly, a large part of the capital formation in the country is in new buildings and construction works.<sup>22</sup>

In the manufacturing sub-sector, the important industries are general engineering, footwear, wearing apparel and textile, and the manufacture of wood. Each of these three industries employs over 20,000 persons while employment in the manufacture of food and fodder is slightly under this figure.

Because of the poor participation of the Malaysians, about 65% of those employed in the secondary industries are Chinese. In the manufacturing industries there are nearly 100,000 Chinese workers in contrast to only 27,000 Malaysians and 10,000 Indians. The employment pattern in these industries is largely determined by the Chinese, who are mainly employed in motor garages and repair shops, foundries, welding work-shops, sawmills, and joinery works, and in the manufacture and repair of footwear, tailoring, dressmaking, and furniture. The textile industry is insignificant and this is surprising in view of its widespread development in neighbouring countries with common economic characteristics, for example, India, Japan and Hong Kong. The explanation can be found in the lack of technical know-how and a reluctance in the post-war years to enter into partnership with Japanese capital. There is also a conservatism in the local Chinese entrepreneur which is a limiting factor on investment outside the traditional fields of wholesale and retail distribution and the rubber and tin industries.

20. "Paths to Statehood", *The Economist*, September 3, 1960, p. 872.

21. Considerable industrial development has taken place since 1958 with Government assistance. Apart from technical assistance, this has largely taken the form of granting pioneer status to new industries which entitle them to a limited period of two to five years' tax holiday.

22. Thus one should be sceptical about estimates of the incremental capital-output ratio for Malaya, since the main part of the income originates in the primary industries sector. Further, there are certain conceptual problems in respect to that part of the capital formation which takes place in the primary sector. Replanting expenditure in the rubber estates is heavy and it is pertinent to enquire whether new planting only or new planting and replanting have been included in the estimated figure of capital formation. The problem of estimating depreciation to arrive at net capital formation is particularly tricky, since the depreciation of rubber trees assumes the form of a log-normal distribution. There is a further point, the period of gestation in this instance is relatively long, about 6 years.



TABLE IX. FEDERATION OF MALAYA, 1957 —, PER CENT ANALYSIS OF THE ECONOMICALLY ACTIVE IN THE SECONDARY INDUSTRIES SECTOR BY INDUSTRIES, FOR EACH MAJOR ETHNIC GROUP IN EACH STATE

		Per cent of persons employed in						
	Number of persons	Manufacturing					Total	Building & construction
		Food & fodder	Wood	Footwear, wearing apparel & textile	General engineer- ing	Others		
MALAYSIANS								
Selangor	5,226	3.7	2.9	7.3	12.0	32.2	58.1	41.8
Penang	3,077	3.9	2.5	3.1	8.1	43.8	61.4	38.8
Perak	4,604	4.2	2.0	4.5	5.2	31.8	47.7	52.3
N. Sembilan	1,587	4.9	10.2	2.8	2.3	12.5	32.7	67.3
Johore	4,528	5.6	7.1	4.2	3.4	20.7	41.0	58.9
Malacca	3,689	4.1	4.5	2.9	1.5	48.0	61.0	39.0
Pahang	1,982	5.4	9.1	3.9	2.7	16.9	38.0	61.9
Trengganu	8,857	9.8	8.7	7.7	3.6	40.7	70.5	29.4
Kelantan	11,006	7.6	8.4	9.4	3.2	30.7	59.3	40.8
Kedah	3,310	8.3	7.6	5.6	2.2	12.0	35.7	64.4
Perlis	567	8.5	8.5	3.4	0.9	6.0	27.3	72.8
CHINESE								
Selangor	36,161	6.8	9.9	15.1	15.9	22.6	70.3	29.6
Penang	19,616	10.0	9.0	12.7	13.4	32.7	77.8	22.3
Perak	27,907	8.9	12.2	13.2	17.6	22.8	74.7	25.4
N. Sembilan	6,932	5.2	20.1	11.6	16.3	17.1	70.3	29.6
Johore	15,723	14.3	15.2	16.2	12.5	22.2	80.4	19.6
Malacca	6,469	7.2	11.1	16.3	13.2	29.4	77.2	22.7
Pahang	4,701	5.2	27.3	12.4	9.2	16.2	70.3	29.8
Trengganu	1,537	16.0	18.9	14.6	8.3	21.3	79.1	20.9
Kelantan	1,952	9.3	15.2	17.0	15.1	31.5	88.1	11.9
Kedah	8,498	16.5	14.8	12.0	11.5	24.7	79.5	20.5
Perlis	620	18.9	12.4	18.9	11.6	18.7	80.5	19.5
INDIANS								
Selangor	7,445	6.8	1.4	5.9	18.1	24.8	57.0	42.9
Penang	2,779	13.9	1.3	6.9	5.4	32.3	59.8	40.2
Perak	4,892	8.8	1.5	5.2	5.0	18.7	39.2	60.8
N. Sembilan	1,681	7.4	1.9	5.9	2.9	8.1	26.2	73.8
Johore	1,827	8.7	1.9	8.7	3.1	12.0	34.4	65.6
Malacca	701	5.0	0.6	7.0	2.1	9.3	24.0	76.0
Pahang	1,162	2.2	1.5	2.7	1.8	3.4	11.6	88.5
Trengganu	93	20.4	12.9	9.7	5.4	7.5	55.9	44.1
Kelantan	196	51.0	4.1	6.1	8.2	13.8	83.2	16.8
Kedah	1,532	19.8	2.0	4.7	3.1	13.8	43.4	56.6
Perlis	90	11.1	1.1	2.2	1.1	2.2	17.7	82.2
All Malaysians	48,433	6.4	6.5	6.2	4.5	31.3	54.9	45.1
All Chinese	130,116	9.4	12.6	14.1	14.7	24.2	75.0	25.0
All Indians	22,398	9.4	1.6	5.9	8.7	19.5	45.1	54.9

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

A large proportion of the Malaysians are engaged in the traditional Malay crafts, such as the production of basket-ware. There are therefore important differences between the Malaysians and the Chinese in their preferences for industrial employment, the scale of production, and the occupational status of those engaged in the manufacturing sub-sector.

The more industrialised states are also those which have a large urban population. The number of persons employed in the secondary industries sector in the four states, Selangor, Perak, Penang and Johore is about 134,000; this is about 65% of the total employment in this sector in the whole country. The importance of Johore and Perak, however, lies chiefly in their large population. The industrial distribution pattern, given in Table VII, indicates that these two states should be grouped with the less industrialised states. Malacca, which has a much smaller population, has an industrial pattern more akin to Selangor and Penang. It is of interest to note that in Malacca, where there are roughly the same number of Malaysians and Chinese, while the Chinese have been particularly influenced by the Malay way of life, the economic activities of the Malaysians as indicated by their industrial employment structure appear to lean towards that of the Chinese.

The employment pattern in the sector, with the large number of Chinese in the manufacturing industries and the preference of the Malaysians and Indians for site work is similar in nearly all states, excepting Kelantan and Trengganu. In these two states, because of their underlying population structure, the economically active comprise in the main Malaysians. Small differences in the employment pattern of the ethnic groups are also discernible between states. Generally there seems to be less uniformity with the Malaysians and Indians. For example, the proportion of Malaysians in the sector who are engaged in manufacture varies from 33% in Negri Sembilan to 70% in Trengganu, while there are relatively more Malaysians and Indians in the engineering industry in Selangor compared with other states.

### *TERTIARY INDUSTRIES*

Employment in the heterogeneous tertiary industries accounts for 560,000 persons or 27% of the economically active. Over 30% of both the Chinese and Indian economically active are in tertiary employment compared with 19% of the Malaysian.

The employment of both the Chinese and Malaysians in the sector is concentrated in a few industries, but there are marked industrial preferences as shown in Table X. About 85% of the Chinese employment is concentrated in four industries, retail trade, personal services mainly of a domestic nature, transport, and education and health services. Nearly 87% of the Malaysians are employed in sundry government services (including the police and armed forces), the education and health services, retail trade and transport. The Indian pattern is more diffused; retail trade is their most important tertiary activity, and other important groups are personal services, transport, the police and armed forces, and the education and health services. Generally, the employment pattern of the Chinese and Indians bear strong resemblances, though the Chinese display a marked preference for trade and a traditional dislike for the armed forces. The Malaysian pattern differs widely with its concentration in the police and armed forces and the small numbers in commerce and domestic service.

TABLE X. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS OF THE ECONOMICALLY ACTIVE IN THE TERTIARY INDUSTRIES SECTOR BY INDUSTRIES, FOR EACH MAJOR ETHNIC GROUP IN EACH STATE

	Number of persons	Electricity, gas & water	Per cent of persons employed in						
			Commerce		Transport storage, communication	Services			
			Retail trade	Others		Government services, n.e.c.	Community services	Personal services	Others
MALAYSIANS									
Selangor	27,626	3.0	6.8	3.8	16.1	47.1	12.3	8.7	2.2
Penang	14,930	3.2	12.0	3.5	25.2	29.2	14.9	8.3	3.7
Perak	29,485	2.7	11.7	1.6	7.7	51.6	16.5	6.2	2.1
N. Sembilan	12,617	1.3	7.2	0.7	8.3	61.6	14.1	6.1	0.7
Johore	29,609	2.3	7.5	0.5	10.3	53.1	19.0	6.2	1.2
Malacca	9,182	2.3	13.9	1.6	19.7	33.1	16.7	11.1	1.6
Pahang	11,324	1.8	9.0	0.5	10.0	53.0	18.5	5.7	1.4
Trengganu	12,974	0.7	34.6	0.9	19.1	19.1	15.2	8.2	2.3
Kelantan	23,534	0.7	31.6	2.4	20.1	16.8	15.3	11.5	1.6
Kedah	16,882	1.2	21.5	0.8	11.2	32.1	23.3	8.2	1.7
Perlis	2,203	1.0	28.3	0.6	12.2	19.7	27.4	8.9	1.9
CHINESE									
Selangor	62,079	1.2	35.6	7.1	11.7	5.9	9.5	25.5	3.5
Penang	47,204	0.8	36.4	8.1	14.8	3.6	10.4	21.9	3.9
Perak	56,781	1.4	42.3	5.4	9.1	5.2	10.7	23.1	2.8
N. Sembilan	14,462	0.9	41.8	5.1	9.5	4.8	11.3	24.1	2.6
Johore	37,037	1.1	45.6	4.2	10.4	4.9	11.4	20.0	2.4
Malacca	14,718	1.3	39.9	6.9	10.2	6.6	11.5	20.8	2.6
Pahang	10,224	1.4	41.4	4.6	9.8	5.8	11.1	23.4	2.6
Trengganu	2,696	1.7	44.4	4.5	10.3	4.0	8.5	24.7	2.1
Kelantan	4,169	0.6	46.8	9.0	5.0	3.5	8.4	23.5	3.2
Kedah	17,976	0.8	56.9	3.4	7.7	2.5	7.8	19.2	1.7
Perlis	1,811	0.4	65.2	1.3	5.4	1.6	6.6	18.7	0.8
INDIANS									
Selangor	27,694	4.6	22.5	5.1	20.6	18.7	9.6	15.9	3.0
Penang	18,335	2.5	29.3	7.7	22.8	9.0	10.8	15.3	2.5
Perak	22,533	5.8	26.4	4.4	11.4	16.0	13.7	20.2	2.3
N. Sembilan	6,268	3.6	21.0	2.8	18.7	17.8	17.2	17.3	1.5
Johore	9,351	4.3	33.5	2.6	8.4	15.1	15.9	18.7	1.4
Malacca	3,150	6.5	27.9	4.5	6.3	16.1	15.9	21.4	1.2
Pahang	3,383	6.0	21.0	1.4	14.3	19.4	17.2	19.1	1.6
Trengganu	988	0.7	56.0	0.6	5.1	5.6	4.6	27.0	0.5
Kelantan	1,414	0.6	46.2	2.1	12.7	3.5	9.9	24.0	0.9
Kedah	7,494	1.1	41.2	3.0	8.5	7.1	11.0	26.4	1.6
Perlis	500	2.4	40.0	0.4	19.2	6.4	10.8	20.4	0.4
All Malaysians	190,366	2.0	15.1	1.7	14.1	40.7	16.6	7.9	1.9
All Chinese	269,157	1.1	41.2	6.0	10.8	4.9	10.3	22.7	3.0
All Indians	101,110	4.1	27.8	4.6	15.9	14.6	12.3	18.4	2.2

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

The important states in this sector are again those in which there is a substantial urban population. In terms of numbers employed, these are Selangor, Perak, Penang and Johore, which together account for 68% of all tertiary employment. But in terms of the overall industrial pattern, Malacca bears a stronger similarity to Selangor and Penang than to the other states. As a whole the rubber-growing states have supported a greater degree of development in the tertiary sector than the rice-growing states. It is interesting to note that in Kelantan and Trengganu, where the population is largely Malaysian, over 30% of the Malaysian economically active in the sector are engaged in retail trade.

### (C) ANALYSIS BY OCCUPATION

Table XI shows the number of persons in the Federation for each member of certain selected occupation groups. There is a dearth of professional men and women, and though the criterion of an adequate number of architects and engineers should be related to the scope and rate of industrial development, the deficiency is clearly evident in the figure for doctors and dentists. It is worthy of note that while census statistics show a total of 1,498 doctors and dentists, the government medical department has an establishment for only 447 medical officers of which posts 291 were filled.<sup>23</sup>

TABLE XI. FEDERATION OF MALAYA, 1957 — NUMBER  
OF PERSONS PER MEMBER  
OF SELECTED OCCUPATION FOR EACH STATE

	Population	Selected Occupations								Children of school age per teacher
		Architects, surveyors and engineers	Doctors and dentists	Nurses and mid- wives	Sales- men and shop assis- tants	Hawkers and street vendors	Drivers road trans- port	Firemen police- men and jagas	Workers in dom- estic service	
Selangor	1,012,929	1,376	2,459	750	71	119	118	92	64	40
Penang	572,100	2,686	2,414	536	56	70	102	155	60	36
Perak	1,221,446	2,225	4,256	900	90	130	169	98	90	42
N. Sembilan	364,524	5,207	5,207	738	99	199	138	73	93	36
Johore	926,850	5,941	4,499	939	94	193	138	84	124	39
Malacca	291,211	4,412	3,309	657	94	128	97	130	97	44
Pahang	313,058	2,982	4,604	764	110	233	179	69	117	34
Trengganu	278,269	3,865	19,876	1,344	267	151	168	235	187	42
Kelantan	505,522	6,319	11,234	1,537	221	199	131	241	205	46
Kedah	701,964	12,103	10,799	1,143	120	165	217	192	177	44
Perlis	90,885	15,148	15,148	1,337	158	181	348	356	248	43
Total	6,278,758	2,974	4,191	857	93	138	141	110	98	40

There is on the whole a great variation in the relative number of professional people between the more advanced states with a large urban population and the states with a predominantly rural population. Thus while there are on the average about 4,000 persons for every doctor and dentist, the figures for individual states vary from 2,400 persons in Penang to nearly 20,000 in Trengganu. These statistics, of course, do not include native doctors, the *sinsehs* and the *bomohs*, who serve a large part of the rural population.

23. Federation of Malaya, *Annual Report 1957*, (Kuala Lumpur, Government Printer), 1958, p. 287.



# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

Table XI also indicates the lopsided development in the economy resulting from the concentration of workers in unskilled and semi-skilled occupations, such as shop assistants and domestic service. In these occupations there is also variation between states but not to the same extent as the supply of professional persons.

The ratio of children of school age to teachers varies from 34 to 46 between states; the average for the country is 40. The pupil-teacher ratio is only 28, but several factors must be taken into account. There is a scarcity of female teachers, particularly in schools which use the Malay medium of instruction. The ratio of girl pupils to female teachers is 38. Furthermore, teachers are often responsible for several standards and a considerable number of teachers are untrained or student teachers. If these are excluded, then the pupil-teacher ratio rises to around 50.<sup>24</sup>

On account of the close correlation between the number of economically active in the primary industries and those engaged in agricultural occupations, the distinctive features of the industrial pattern can be discerned in the occupational pattern. Firstly, the majority of the economically active are engaged in agricultural activities and, secondly, such activities are more important for the Malaysians than the Chinese, as can be seen in Table XII.

TABLE XII. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS OF ECONOMICALLY ACTIVE BY OCCUPATION FOR EACH ETHNIC GROUP AND FOR EACH SEX

Occupation	Federation			Malaysians	Chinese	Indians
	Total	Male	Female			
Professional, technical and related workers	3.1	2.9	3.5	2.7	3.3	2.4
Administrative, executive and managerial workers	1.2	1.5	0.1	0.4	2.0	1.0
Clerical workers	2.9	3.6	0.9	1.7	3.7	4.0
Sales workers	8.6	10.3	3.4	2.9	15.9	10.0
Agricultural and forestry workers, fishermen, hunters and trappers	56.4	50.1	75.8	74.2	38.3	50.2
Miners, quarrymen and related workers	0.3	0.1	0.7	0.0	0.6	0.1
Workers in transport and communication	3.1	4.1	0.2	2.8	3.5	3.5
Craftsmen, production process workers and labourers not elsewhere classified	15.5	18.0	7.6	7.7	24.1	21.1
Service, sport and entertainment workers	4.2	3.3	6.9	1.6	7.3	5.7
Firemen, policemen and members of the armed forces	4.4	5.7	0.4	5.7	0.8	1.9
Not classified	0.4	0.4	0.4	0.4	0.4	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Persons ('000)	2,126.2	1,602.8	523.4	1,004.3	759.0	307.2

24. *Ibid*, pp. 248 and 252.

# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

About 76% of the female economically active are engaged in agricultural occupations compared with 50% of the male. There are relatively few women employed as clerks, saleswomen or labourers compared with men, though some of these occupations appear suited to female employment. There are, of course, very few women in the police and armed forces. Apart from agriculture, there are also relatively more women in the service industries, mainly in domestic service.

The Chinese and Indian occupational patterns are very similar and they both differ markedly from the Malaysian pattern. Three-quarters of the Malaysian economically active are engaged in agriculture and they are also numerous in the police and armed forces. The Chinese, on the other hand, predominates in retail distribution and domestic service, and as craftsmen and labourers.

**TABLE XIII. FEDERATION OF MALAYA, 1957 —  
PER CENT ANALYSIS OF  
ECONOMICALLY ACTIVE IN EACH STATE BY OCCUPATION**

States	Per cent distribution by occupation											
	Number of persons ('000)	Professional	Administrative	Clerical	Sales	Agricultural	Miners	Transport	Craftsmen and labourers, n.e.s.	Service and sport	Firemen, policemen and armed forces	Not classified
Selangor	341.6	3.9	1.6	5.8	10.0	39.0	0.2	3.8	23.9	6.2	5.1	0.5
Penang	163.0	4.8	2.1	6.4	16.3	29.0	—	6.4	22.6	7.9	3.8	0.7
Perak	406.2	3.1	1.3	2.5	8.9	51.9	1.1	2.7	18.2	4.8	5.1	0.4
N. Sembilan	134.7	2.9	1.1	2.3	6.5	60.6	—	2.8	13.0	4.1	6.5	0.2
Johore	306.2	3.0	1.0	2.1	7.8	59.9	—	3.1	12.2	3.6	7.0	0.4
Malacca	82.8	3.8	1.4	2.9	10.8	49.0	—	4.6	17.9	5.2	4.1	0.4
Pahang	122.2	2.8	1.1	1.6	5.3	67.1	—	2.3	11.5	3.0	4.9	0.3
Trengganu	95.5	2.3	0.5	1.6	6.8	67.0	—	3.4	14.8	2.0	1.3	0.2
Kelantan	193.3	2.0	0.5	1.1	5.4	76.7	—	2.4	8.7	1.8	1.2	0.2
Kedah	247.4	2.3	0.6	1.3	7.3	73.5	—	1.8	7.9	2.4	2.5	0.4
Perlis	33.1	2.0	0.4	0.9	6.3	79.7	—	1.2	6.5	1.7	0.8	0.4
<b>Total Persons ('000)</b>	<b>2,126.2</b>	<b>3.1</b>	<b>1.2</b>	<b>2.9</b>	<b>8.6</b>	<b>56.4</b>	<b>0.3</b>	<b>3.1</b>	<b>15.5</b>	<b>4.2</b>	<b>4.4</b>	<b>0.4</b>
		<b>65.7</b>	<b>24.5</b>	<b>61.5</b>	<b>182.3</b>	<b>1,199.6</b>	<b>5.5</b>	<b>66.8</b>	<b>328.6</b>	<b>89.7</b>	<b>93.8</b>	<b>8.2</b>

Table XIII shows that there is a tendency for a smaller proportion of the economically active to engage in agricultural occupations in the relatively more advanced and industrialised states of Selangor, Penang, Malacca, Johore, Negri Sembilan and Perak. Rice growing which is important in the other states is particularly labour-intensive. But a further reason is that the relatively advanced economies in the former group have created more opportunities for employment in the professional, administrative, clerical and distributive occupations as well as in the service industries.

Table XIV indicates that the degree of correlation between the number of workers in an industry and those in the main corresponding occupations is exceptionally high for some industries, for example, in agriculture and in the processing of agricultural products. This relationship is also close in commerce where 80% of the workers are salesmen or otherwise engaged in the distributive

# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

trades. Similarly most of the workers in manufacturing, building and construction and the public utility services are craftsmen and labourers.

TABLE XIV. FEDERATION OF MALAYA, 1957 — DEGREE OF SPECIALISATION OF OCCUPATIONAL GROUPS IN SELECTED INDUSTRIES

Selected industries	Degree of specialisation within industry	
	Corresponding occupation	Per cent
Agriculture, forestry, hunting & fishing	Agricultural workers	98.6
Agricultural products requiring substantial processing	Agricultural workers	91.9
Mining & quarrying	Miners, quarrymen, etc.	9.3
	Craftsmen & labourers	75.7
Manufacturing	Craftsmen & labourers	84.8
Building and Construction	Craftsmen & labourers	82.1
Electricity, gas and water	Craftsmen & labourers	76.3
Commerce	Sales & related workers	81.6
Transport, storage and communication	Transport & communication	64.4
	Craftsmen & labourers	22.1
Services	Service, sport and entertainment workers	54.9

Note: Industry-occupation ratios for the individual states have been prepared, but are not given here.

It is surprising to find that only 9% in the mining industry (or only 5,500 persons) are miners, and these comprise largely the dulang washers in Perak. Though tin mining is a highly capital-intensive industry, it nevertheless employs nearly 60,000 workers, but these have been classified as labourers according to the nature of the work they perform.

There is considerable uniformity in the industry-occupation relationship between the individual states, with the exception of one such relationship. The ratio of workers engaged in the transport occupation to workers in the transport industry varies from over 80% in Trengganu, Kedah and Malacca to 56% in Penang and 46% in Selangor. The last two states are main distributing centres where there is considerable handling and storage of goods, and thus a large number of workers in the transport, storage and communication industry are labourers by occupation.

Because of the small size of the workers in certain important occupations relatively to that of the industries in which they are found, these occupations cannot conveniently be included in Table XIV, and their degree of concentration in the industries is given in Table XV.

# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

TABLE XV. FEDERATION OF MALAYA, 1957 — DEGREE OF CONCENTRATION OF WORKERS IN SELECTED OCCUPATIONS IN CORRESPONDING INDUSTRIES

Selected occupations	Concentration in	
	Corresponding industries	Per cent
Professional, technical and related workers }	Services	90.7
Administrative, executive and managerial workers }	Commerce	25.1
	Services	24.2
Clerical workers	Commerce	22.7
	Services	39.1
	Transport, etc.	10.9
Craftsmen, production process workers and labourers not elsewhere classified }	Manufacturing	34.9
	Building & construction	17.0
	Mining & quarrying	13.5
	Agricultural products, etc.	13.0
	Transport, etc.	5.0

Of the professional, technical and related workers, about 90% are concentrated in the services industry. Nearly 50% of the administrative, executive and managerial workers are found in the commerce and the services industries while over 70% of the clerical workers are in the commerce, services and transport industries. While the administrative, executive and managerial workers are evenly distributed among commerce and services, the clerical workers in the services industry are about twice as many as in the commerce industry, indicating the higher ratio of the former type of workers to the latter in the services as compared to the commerce industry, and this is probably the case in the government services.

Craftsmen, production process workers and labourers not specified are mostly found in manufacturing, building and construction, mining and quarrying, agricultural products industry, and the transport industry, with the manufacturing industry having the largest proportion.

## (D) ANALYSIS BY OCCUPATIONAL STATUS

The analysis and interpretation of the information relating to the occupational status of the economically active for the Federation of Malaya involve problems which are peculiar to the procedure adopted in the census for the collection and classification for this item of information.

The data on occupational status were collected in 1957 on the basis of classification into three categories, namely, the self employed, the unpaid family worker, and the employee. The self employed category comprises the employer on the one hand and the own account workers on the other, and these may differ considerably in many economic aspects, so that their combination into one category restricts the usefulness of the data.<sup>25</sup> Moreover, the farmers who operate

25. For example in the retail trade and in some of the manufactures and in building and construction there is a considerable difference in the scale of operation between the employers and the own account workers. Over almost the entire primary industries sector the range between the estate-owners and the smallholders is too obvious to need elaboration.



## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

on a share-cropping system will be included in the self-employed category, while in fact their characteristics are sufficiently distinctive to warrant their separation into a separate category.<sup>26</sup>

It would therefore seem that rather than compressing the categories of occupational status, the converse procedure of expanding their number should have been adopted. Specifically there should in general be two categories (employers and own account workers) in place of the self employed, and in the primary industries sector the own account workers should be further expanded into those who operate on a share-cropping system and those who are properly smallholders.

The discussion in this section is therefore to be considered as subject to the limitations which are of particular application to the primary industries sector, to some extent to the secondary sector, and to the retail trade in the tertiary sector.

For the purpose of the analysis, this is largely confined to industries for which the classification serves a useful purpose in bringing out significant economic characteristics. For example, the rice and tin industries have not been included in the analysis since the former is almost wholly a subsistence industry where most of the workers are classified as self employed, while nearly all the workers in the tin industry are employees.

Table XVI is thus drawn up in respect of those industries for which the economic significance of the division by occupational status can be brought out for discussion, as well as in respect of significant variations among the major ethnic groups.

The self employed category predominates in the primary industries sector generally, and in retail trade in which the operating unit is essentially small in size. Thus for all the major ethnic groups combined, the proportion of workers who are self employed is 66% in mixed agriculture, 75% in fishing, 51% in coconut, copra, etc., and 60% in retail trade. The small proportion of self employed in the rubber industry is somewhat surprising, even considering the fact that practically all the Indians in this industry are estate workers. Equally surprising is the fact that the self employed form a rather important category in manufacturing. Finally, in the personal services industry there are relatively few self employed workers.

Except in mixed agriculture (as well as in rice growing), the unpaid family worker is relatively unimportant. This is probably the result of two factors, namely, the failure on the part of the persons enumerated to understand the definition involved, resulting in their counting themselves as employees — or possibly even self employed — and, secondly, the exclusion of some part-time family workers from the economically active altogether. The proportion of unpaid family worker over the major ethnic groups is 23% in mixed agriculture,

26. It is worthwhile to note that the owners of land who rent it out on a share-cropping system may not in many cases be returned as in agriculture, especially if they have other interests outside the field of agriculture. An extension of this is the case of estate-owners who have other interests and who also may not be returned as engaged in the agriculture industry.

TABLE XVI. FEDERATION OF MALAYA, 1957 — PER CENT ANALYSIS OF ECONOMICALLY ACTIVE BY OCCUPATIONAL STATUS, FOR EACH OF THE MAJOR ETHNIC GROUPS AND SELECTED INDUSTRIES

	Malaysians				Chinese				Indians				Total of major ethnic groups			
	Per cent of persons who are				Per cent of persons who are				Per cent of persons who are				Per cent of persons who are			
	Persons (000)	Self employed	Unpaid family worker	Employee	Total	Persons (000)	Self employed	Unpaid family worker	Employee	Total	Persons (000)	Self employed	Unpaid family worker	Employee	Total	Persons (000)
Mixed agriculture	20.3	71	23	5	100	43.5	64	23	12	100	0.9	28	4	68	100	64.9
Fishing	32.4	83	5	12	100	17.7	62	6	32	100	0.4	36	2	62	100	50.5
Rubber	260.0	35	7	58	100	200.3	12	2	86	100	150.5	1	—	99	100	613.6
Coconut, copra, &c.	24.1	68	9	24	100	3.2	41	7	52	100	7.9	3	—	97	100	35.2
Manufacturing	26.6	53	5	41	100	97.5	26	2	72	100	10.1	25	—	75	100	135.4
Commerce	32.0	72	6	23	100	127.1	53	4	42	100	32.8	48	2	50	100	195.2
Retail trade	28.1	77	7	16	100	93.2	57	5	37	100	27.9	52	2	46	100	151.3
Personal services	9.4	27	3	71	100	53.7	24	2	74	100	16.6	29	2	69	100	80.5
All industries	1,023.7	48	14	37	100	772.0	28	4	67	100	313.0	10	1	89	100	2,164.9
																56

Notes: (1) The number of persons for all industries includes a small number of economically active who did not state their occupational status.

(2) Some totals do not tally because of approximation.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

and in the other industries included in Table XVI it is around or less than 5%. This low figure for the retail trade and for the fishing and the rubber industry is especially worthy of note.

The employee category is relatively large in the rubber industry, in the personal services industry, and in the manufacturing industry. In most of the primary industries and in retail trade it is comparatively unimportant.

Among the three major ethnic groups, the occupational status pattern varies widely. The Malaysians have the highest proportion of self employed in all the industries under consideration, and this is especially so in the primary sector,<sup>27</sup> in manufacturing and even in retail trade. In agriculture and fishing this is largely a reflection of the subsistence mode of farming among the Malay farmers; in manufacturing the large proportion of Malaysian self employed (over 50%) comprises mostly the traditional Malay craftsmen in Malacca and in the east coast states of Pahang, Trengganu and Kelantan, as well as in Perak. In retail trade the self employed are mainly the hawkers and stallholders while the employee category comprises salesmen and shop assistants, and while in the case of the Chinese and Indians the latter category is of some importance, in the case of the Malaysians those engaged in retail trade are in any case relatively very small, and these are to a large extent the self employed hawkers.

It is therefore possible to generalise that the Malaysians are economically active mainly in the primary industries sector, that they do not have preference for wage employment, but that the majority of them work for themselves or for their own family units. The somewhat large proportion of employees in the rubber industry is probably a reflection of a change in this tradition.<sup>28</sup>

Except in the primary industries sector, the Chinese and the Indians are very similar in their occupational status patterns. In the primary sector, the Indians are especially predominant as employees, and this is the result of the preference of this ethnic group to work for wage returns. Practically all those Indians in the rubber and coconut industries are employees on estates, and about two-thirds of those engaged in mixed agriculture and in fishing are also wage-earners.

The Chinese have a large proportion (about 86%) of employees in the rubber industry, rather more than half in the coconut industry, while in mixed agriculture and in fishing about two-thirds are self employed.

In the secondary and tertiary industries there are similarities in the two ethnic groups. They are largely self employed in the retail trade industry, and employees in manufacturing and in the personal services industry.

Although the unpaid family worker category is of relative unimportance, it is pertinent to mention a point concerning the sex distribution in this category.<sup>29</sup> About 56% of the unpaid family workers are females. The ratio of unpaid female family workers to economically active females is 19.1%. The

27. As indicated earlier, in rice growing the self employed category is even more predominant.

28. Unfortunately the 1947 census data relating to occupational status were given only for very broad industrial groups, so that no comparison is possible for indication of the trend in definite terms.

29. In regard to the sex distribution and the distribution by individual states of the data relating to occupational status, detailed tables have been compiled but these are too unwieldy for inclusion. The discussion in the remainder of this section is based on these tables.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

corresponding ratios for the Malaysian, Chinese and Indian females are 34.4%, 6.6% and 0.4% respectively.<sup>30</sup> These wide divergences are attributable to the relative importance of subsistence agriculture among the various ethnic groups.

For the comparative study of the data on occupational status between the various states, it is to be noted that such data for some industries such as mixed agriculture, fishing, coconut and copra are given in detail for only some of the states, but that they are available for all the states in respect of the rubber industry, manufacturing and retail trade. Generally, in the less developed states such as Kelantan, Trengganu and Perlis, there is a relatively large proportion of self employed and unpaid family workers, and the explanation is to be found in the subsistence nature of the rice-growing economy of these states and the rather limited opportunities for employment.

The figures available for the individual industries do not show any definite pattern. For example, in Johore about 37% of the Malaysians and 16% of the Chinese in the rubber industry are self employed, whereas the corresponding ratios in Negri Sembilan are 52% and 6%. These variations may be explained to some extent by the geographical location of the large estates and the different degree of fragmentation that has taken place in the different states.

The data relating to occupational status for mixed agriculture are given for six states. They show a much greater variation for the Malaysians as compared to the Chinese. Thus the ratio of Malaysian unpaid family workers ranges from 13% in Perak to 41% in Kelantan, while the Chinese ratio ranges from 19% in Johore and Pahang to 37%, also in Kelantan.

In the manufacturing industries the bulk of the wage labour in nearly all the states is Chinese, partly on account of the preference of Chinese employers to engage Chinese labour. In Kelantan and Trengganu, however, about 45% of the Chinese in manufacturing are self employed and only around 50% are in the employee category.

There is considerable variation between states in the occupational status pattern of the Malaysians engaged in the manufacturing industry. For example while in Malacca, Perak, Trengganu and Kelantan between 55 and 75% of the Malaysians engaged in manufacturing are self employed, in the other states the corresponding ratio is only between 30 and 45%.

It is interesting to note that in personal services the occupational status distribution is fairly uniform not only for the three ethnic groups, but also between states. The self employed in this category are the barbers, the launderers, the coffee-shop owners, etc., while the paid employees are mainly workers in domestic service, in hospitals, clubs and restaurants. Thus a probable reason for the uniform pattern which is absent in other industries is the tendency for members in an ethnic group to prefer these services to be rendered by members of the same ethnic group.

30. These ratios appear unduly low compared to those for other underdeveloped countries and suggest that the statistics of unpaid family workers are underestimates. According to recent census data, the ratios of unpaid female family workers to economically active females in Japan, the Philippines and India are respectively 60.4%, 55.1% and 52.2%. See Secretariat of the Economic Commission for Asia and the Far East, *Economic Bulletin for Asia and the Far East* Vol. X, No. 1, 1959, p. 16.



# ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

## V. COMPARISON BETWEEN THE FEDERATION AND SINGAPORE

### (A) THE ECONOMIC STRUCTURE

The population in the Federation of Malaya in 1957 is 6.3 million compared with 1.4 million in Singapore. The economic structure in the two groups is almost identical in many important respects. Thus in both areas about 66-67% of the population are 10 years of age and over, and broadly about one half of the persons 10 years of age and over are economically active. According to the census statistics 5% of the economically active in Singapore are unemployed compared with slightly under 2% in the Federation, but there are strong grounds for believing that both figures are underestimates, in particular the Federation figure.

In the economically inactive sector the similarities are more striking than the differences. In both territories 90% of the inactive comprise two categories, the housewives and the full-time students. About 75% of the inactive males who are 10 years old and over in the Federation and about 77% in Singapore are full-time students. The corresponding ratios for female students are also similar at 16% and 17% respectively. In view of the large female sectors in both territories, however, these student ratios are somewhat deceptive. In the Federation there is in fact one full-time female student to every two male students and in Singapore the proportion is two to three.

The broad age structure of the economically active in the Federation is given in Table XVII. There is some uniformity between the main ethnic groups, but female child labour is more prevalent among the Chinese and Indians than the Malaysians. The age structure for the country as a whole is similar to that in Singapore, but since the Federation has an agricultural economy, there are relatively more persons employed at the two extreme ranges of the age distribution. This applies in particular to the male sector.

TABLE XVII. FEDERATION OF MALAYA, 1957 — PER CENT  
DISTRIBUTION OF ECONOMICALLY ACTIVE BY BROAD AGE GROUP,  
ETHNIC GROUP AND SEX

Broad age group	Persons			Malaysians		Chinese		Indians		Others	
	Total	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
10-14	2.7	2.1	4.6	2.3	3.3	2.0	6.0	1.8	5.4	0.7	1.8
15-29	39.9	38.8	43.3	40.6	39.3	37.5	47.5	33.2	46.0	51.2	45.9
30-59	51.5	52.6	48.1	50.8	52.4	52.3	42.7	61.5	47.4	44.9	48.6
60 & over	5.9	6.5	4.0	6.3	5.0	8.2	3.8	3.5	1.2	3.2	3.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

There are of course wide variations in the ethnic group distribution. In Singapore 72% of the economically active are Chinese and 12% are Malaysians; in the Federation 36% are Chinese and 47% are Malaysians. The relative importance of the Indian and other ethnic groups is similar in the two areas.

Furthermore, the sex composition of the economically active exhibits a more pronounced abnormality in Singapore. In the Federation the male-female ratio is about three to one in all the three main ethnic groups, and this ratio also

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

holds for the Chinese in Singapore. But there has been a large influx of Malaysian and Indian males into Singapore in search of employment, with the consequent result that they form 94% and 98% of the economically active in these two groups.

TABLE XVIII. FEDERATION OF MALAYA, 1957 — PER CENT OF ECONOMICALLY ACTIVE TO WORKING AGE POPULATION (10 YEARS AND OVER) FOR EACH ETHNIC GROUP AND SEX

Ethnic group	Total	Male	Female
Malaysians	49.4	75.2	24.1
Chinese	48.8	70.9	24.9
Indians	68.0	82.5	45.6
Others	60.4	84.4	18.2
Total	51.5	74.8	26.2

As Table XVIII shows, this explanation is only a partial one. When we examine the proportion of economically active to the working age population (10 years and over), we find that the male ratios for all three main ethnic groups are higher in Singapore. But a different situation obtains in the female sector. The female ratio for the Chinese in Singapore is 22% and this compares favourably with the corresponding ratio of 25% in the Federation. It is probable that in the present social and economic set-up this represents an upper limit to female employment, taking Chinese mores and modes of living into account. This view appears to be confirmed by the employment ratio for Malaysian females in the Federation of 24%; a number are employed as unpaid family workers in the rice fields. The employment ratio for Indian females at 46% is exceptionally high. The explanation is that a large number are employed as tappers on the rubber estates; they live with their families inside the compounds and often do not work more than three or four hours per day. This high figure, therefore, conceals considerable under-employment. These opportunities for employment do not exist for Malaysian and Indian women in Singapore, largely accounting for their low employment ratios, 6% and 7% respectively.

### (B) THE INDUSTRIAL STRUCTURE

The industrial structure in the two areas, as expected, is very different. The economy of the Federation is orientated towards the primary sector and that of Singapore towards the tertiary industries. These patterns have been developed against the historical background of a pan-Malayan political and economic unity, when Singapore was an entrepot serving the Federation as the importer of manufactured goods and the outlet for Malayan produce. Both territories are anxious to remould their one time complementary but now accentuated industrial structure and, in particular, to promote the growth of manufacturing industries as a major solution to the problem of providing employment for the increasing population.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

Penang has also an entrepot economy, but it has not been developed to the same extent as that of Singapore. Thus, while there are greater resemblances between Singapore and Penang than other states in the Federation, the differences are still marked. About 30% of the employment in Penang are in the primary sector compared with 10% in Singapore.

So far as a direct comparison can be made, the preferences of the main ethnic groups in their industrial employment bear strong resemblances in the two areas. Thus in the primary sector the Chinese show a preference for mixed agriculture and cash crop vegetable farming and the Malaysians for subsistence farming and fishing.

In the secondary industries sector, there are relatively more Malaysians and Indians in building and construction; this is more noticeable in the Federation where there is considerably more construction work in progress. In the manufacturing industries the Chinese are employed in general engineering and the manufacture of footwear, made-up textile goods, wood and furniture. In both cases there has not developed a spinning and weaving industry on any large scale.

The manufacturing employment pattern of the Malaysians in the Federation is more complex. In a few states where the economically active are predominantly Malaysians, for example, Kelantan and Trengganu, they supply the factory labour force for the manufacturing industries. But in other states where Chinese labour is also available, such employment appears to comprise mainly the Chinese. A large proportion of the Malaysians are engaged in the traditional Malay crafts, such as the manufacture of rattan, mengkuang and attap products, baskets, silverware, etc. By contrast, the employment pattern of the Malaysians in Singapore is more diversified.

Similarities in ethnic group preferences are also noticeable in the tertiary sector. In both areas the Chinese are predominant in two industries, commerce and finance and personal services, and display their traditional indifference to employment in the armed forces. The defence services comprise largely Malaysians. In the Federation there are relatively few Malaysians in personal service compared with Singapore, and a contributing cause must be the greater opportunities in the Federation for female employment in other fields. A further reason is the large number of Europeans in Singapore who are the main employers of Malay domestic labour.

### (C) THE OCCUPATIONAL STRUCTURE

Compared with the Federation, Singapore is better served not only by doctors, dentists and nurses but also by shop assistants, hawkers, taxi-drivers and domestic servants. There are in Singapore about 2,000 persons to every registered doctor and this is a far superior ratio to that for Selangor or Penang. The relative deficiency in the Federation even in the less skilled occupations can be attributed to its large agrarian population. Furthermore, Singapore with its considerably higher *per capita* income can afford to maintain a higher proportion of its employment in the service and distributive occupations. In both areas the children of school age to teacher ratio is around 40, but again it is probable that the Federation figure contains a larger proportion of unqualified teachers.

## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

The different economies of the two territories are reflected in their occupational patterns. Agriculture is the most important occupation in the Federation for all ethnic groups and predominantly for the Malaysians. The primary industries are unimportant in Singapore and it is the group of craftsmen and labourers that offers most scope for employment for all three ethnic groups. There are of course similarities. In both areas sales workers constitute an important occupation for the Chinese and Indians and similarly the police and armed services provide employment for the Malaysians.

### VI. CONCLUSION

Some of the salient features of the economically active population in the Federation of Malaya in 1957 can be briefly summarised:—

(a) Slightly over half of the working age population (10 years and over) are economically active. Of the active persons, 75% are males and 25% females.

(b) The three main ethnic groups are Malaysians, comprising 47% of the economically active, Chinese, 36% and Indians, 15%. Other ethnic groups constitute only 2 to 3%.

(c) About 63% of the economically active are engaged in primary industries, 10% in secondary industries and 27% in tertiary industries. While the primary industries sector constitutes the most important sector in the employment of the main ethnic groups, it is particularly important for the Malaysians. The Chinese predominate in the secondary and tertiary industries.

(d) The two most important industries in the primary sector in terms of employment are rubber and rice. Tin mining, which is the second most important industry in the Federation in terms of value of output, does not give scope for much employment.

(e) The employment patterns of the three main ethnic groups exhibit marked industrial and occupational preferences.

A comparison of the broad economic structure with that in 1947 gives a disturbing picture. The increase in the economically active from 1.9 million in 1947 to 2.2 million in 1957 has not kept pace with the increase in population from 4.9 million to 6.3 million in the two respective years. There are several factors which have contributed to the surprisingly small expansion in the working population. In line with other underdeveloped countries, the age structure of the population in the Federation is becoming progressively youthful. Thus working age persons constitute 67% of the population in 1957 contrasted with 72% in 1947.

Furthermore, whereas 54% of the working age population in 1947 are gainfully employed, the ratio for 1957 is only 51%. The corresponding ratios for all three main ethnic groups show a similar decline in the ten year period, the largest fall in the economically active ratio being in the Indian sector. In 1947 there was an acute shortage of labour coupled with a generally felt need to rehabilitate personal fortunes, and this might have given rise to the high economically active ratio in that year. But a further reason for the small increase in working population can be found in the net emigration in post-war years of persons seeking employment in Singapore.



## ECONOMIC CHARACTERISTICS — FEDERATION POPULATION

The figures given in Table V show that the shift to a lesser dependence on the primary industries has not gained momentum by 1957. However, the industrialisation programme has made significant advances since the beginning of 1958 and present day statistics would probably reveal a different picture.<sup>31</sup>

Given a stable political and economic environment, the prospects for a fair measure of success of the industrialisation and rural development schemes will be enhanced. Increasing industrialisation will be accompanied by increases in *per capita* income and opportunities for gainful employment, while its corollary, the development of urban communities, will bring about far-reaching changes in the economic and social structure of the population. It is possible to underline some of the more significant changes. Firstly, there will be a substantial shift of emphasis from employment in agriculture to that in the manufacturing and service industries. Employment in the agricultural sector, with its labour-intensive methods of production, may increase in absolute terms (taking the growing population into account), but the proportion employed in the sector is likely to fall significantly. Secondly, there will be a higher economically active ratio accompanied by a relative increase in women seeking employment and a relative decline in the number of unpaid family workers.

31. Since the Pioneer Industries (Income Tax Relief) Ordinance came into force, a total of 44 industries and 223 products have been given pioneer status. 51 companies have been granted pioneer certificates; the capital invested amounted to M\$26m of which M\$12m was local capital and M\$14m was foreign capital — report in *Sunday Mail*, 16th October, 1960.

# EXPORT TAXES ON RUBBER IN MALAYA — A SURVEY OF POST-WAR DEVELOPMENT<sup>1</sup>

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The post-War development of export taxes on rubber in Malaya can be divided into two distinct periods, namely the pre-Korean War period and the post-Korean War period. Since the Korean War boom, the rates of taxation on rubber exports in Malaya have been much higher. At the same time the export tax structure has become wider in scope and more complicated.

## DEVELOPMENT BEFORE THE KOREAN WAR

The pre-Korean War period can again be conveniently divided into three distinct phases. The first phase dated from the time when export duties were reintroduced in Malaya in December, 1945<sup>2</sup> soon after the re-occupation to March 1946. During this period, the Federated Malay States pre-War export tax rates including the tax on rubber, were made applicable throughout Malaya. But the War Tax on rubber exports at 5% *ad valorem* was not re-imposed since the War was over. The Federated Malay States rubber export duties were the lowest in pre-War Malaya compared to other states that had export taxes on rubber, and are given below:<sup>3</sup>

<i>Price per pound (in cents)</i>	<i>Duty</i>
Under 20	1 %
20 to under 22	1½ %
22 " " 24	1¾ %
24 " " 26	2 %
26 " " 28	2¼ %
28 " " 30	2½ %
30 " " 35	3 %
35 and above	3¼ %

The second phase was between March 1946 and February 1947. During this period specific taxes<sup>4</sup> took the place of the former sliding scale duties. The specific

1. Malaya refers to the territories comprising the present Federation of Malaya. Singapore is not included, as there has been no taxation on exports in Singapore, a 'free' port.

2. The duty was imposed under *The Customs Duties Order* made under the B.M.A. Customs Proclamation, (Proclamation No. 30) and published in B.M.A. Gazette Notification (G.N. No. 100 of 1945).

3. The Straits Settlements had no taxation on exports. Each of the five Unfederated Malay States had a separate customs tariff structure. For the various export duties in force in all the states, see *Malayan Statistics (I & E 3)*, July, 1941, (Singapore, Government Printer), Appendix XX, pp. 478-482. For the 1936 F.M.S. export tax on rubber, see F.M.S.G.N. No. 4005 of 1936. There was no change in the export duty on rubber in the F.M.S. since 1936.

4. For further information on these specific taxes, see *The Customs Duties (No. 3) Order* published in B.M.A.G.N. No. 340 of 1946 and *The Customs Duties (No. 4) Order*, published in Malayan Union (M.N.) G.N. 3088 of 1946.

## EXPORT TAXES ON RUBBER IN MALAYA

uty was 4 cents per pound which in fact amounted to a great increase in the export tax compared with the previous graduated rates. At 20 cents per pound, for example, the old rate would be 0.3 cents, whereas the new rate was 4 cents. At the other end of the scale when the price was 35 cents per pound, the old duty would be 1.5167 cents and the new rate of 4 cents per pound was about 166% higher. This high rate of duty was reduced to 2.75 cents per pound with effect from November, 1946. Of the 2.75 cents, 0.25 cent was "credited as cess to the Rubber Fund" for research purpose.<sup>5</sup> The actual duty was therefore only .5 cents per pound. It remained at this rate for only about 4 months.

Between February, 1947 and 31st December, 1950 a flat *ad valorem* rate of 5% was imposed,<sup>6</sup> distinct from the sliding scale duty in the first phase and the specific rates in the second phase. The research cess of 0.25 cents per pound remained unaffected. This 5% flat rate existed for nearly four years up to the end of 1950. Comparing with the old specific rate of 2.5 cents per pound the new tax of 5% *ad valorem* would be lower if the price of rubber were below 50 cents per pound. For nearly three years between February, 1947 to the end of 1949, the gazetted price of rubber for the purpose of calculating the export duty was under 50 cents per pound.<sup>7</sup> Thus, for nearly three years the rate of duty payable was less than it would have been under the former specific rate of 2.5 cents per pound.

During 1950, except for three isolated instances at the beginning of the year the price rose steadily and rapidly to \$2.15½ per pound in the second week of October, and fell slightly to \$1.89 in the last week of the year. This sudden rise in price was due to the outbreak of the Korean War which resulted in an exceptionally vigorous demand for rubber, particularly by the United States for stockpiling purposes. Throughout 1950, the export tax remained at 5% *ad valorem*, despite the large price increases particularly in the second half of the year.

On 12th September, 1950 when the rubber price reached a high mark of about \$1.40 per pound, the Government of the Federation of Malaya through its Acting Financial Secretary wrote to the various Malayan rubber associations inviting their views on a Government's proposal to increase the rates of export taxation on rubber. The proposal leaked out to a local newspaper which published the Government's letter "almost *in extenso*".<sup>8</sup> The Government proposed that at a price of \$1.50 per pound, the tax would be 43.5 cents,<sup>9</sup> which was 29% of the price, whereas the existing tax rate was only 5%. The proposed change was so revolutionary that it was made to the rubber associations with the specific assurance that their views would not be treated lightly, and would be submitted

5. *Report on the Customs and Excise Department for the Year 1946* by H.W. Phear, Comptroller of Customs, Malayan Union, p. 15. (Report unpublished).

6. Duty imposed under *The Customs Duties (No. 9) Order*, published in M.U.G.N. 1031 of 1947.

7. For the purpose of computing export duty, prices of rubber are published weekly in the *Government Gazette*. All rubber prices unless otherwise stated refer to gazetted prices.

8. *Proceedings of the Federal Legislative Council (Third Session)*, February 1950 to June, 1951 (Kuala Lumpur, Government Printer), speech by the Acting Financial Secretary, p. 425.

9. *Ibid*, speech by Mr. Tan Siew Sin, p. 424. \$1.50 per pound was the approximate price prevailing at the time of the Legislative Council debate on 28th February, 1950.

## EXPORT TAXES ON RUBBER IN MALAYA

to the Secretary of State for his consideration. Obviously any major change was to be taken only with the blessing of Whitehall. In fact there are reasons to believe that the move to increase the export duty had originated from Whitehall and not from the Federal Government.<sup>10</sup>

Rumours ran wild in the Federation and in Singapore over the tax proposals. The rubber market came almost to a standstill. Buyers in the Federation were reported to pay 20 cents per pound below the current market price in anticipation of the tax increase. The Government came out immediately with the following press statement: "It is intended to make no change in the export duty of rubber until all sections of the industry have been consulted and have had an opportunity to state their views."<sup>11</sup>

This assurance did not quieten the market. In the adjournment speech of the Legislative Council on 28th September, 1950, members having vested interests in the rubber industry rose up one after another to attack the Government on the manner in which the tax proposal was handled, giving rise to confusion in the rubber market, the exceedingly high rates of taxation proposed, and the lack of powers of the Federal legislature to debate and decide on the issue.

The Acting Financial Secretary then promised that no new rate of export duty would be imposed before 1st December, 1950, and that at least two weeks notice would be given before the changes in export duty would become effective. These assurances were greeted with applause by the legislature.

In fact the tax changes became effective only from 1st January, 1951, though the price of rubber had already taken a speedy upward turn in the second quarter of 1950. The export tax machinery, for various reasons, could not be put quickly enough into action. This resulted in a considerable loss in windfall tax revenue. It also resulted in a delay in mopping up the excessive money supply generated at that time. This delay made the fight against inflationary pressures in Malaya at a later date more difficult.<sup>12</sup>

Another important point is that the proposed taxes had the effect of making the unofficial members of the Legislative Council realise unequivocally the "impotence" over such an important matter as the revision of import and export taxes. Under the British Military Administration wide powers on customs matters including the imposition of tariffs were placed in the hands of the Deputy Chief Civil Affairs Officer.<sup>13</sup> These powers were transferred to the Chief Secretary when the Malayan Union was set up,<sup>14</sup> and when the Federation was set up later.

10. *Ibid*, speech by Mr. Khoo Teik Ee, p. 423. It is to be noted that under the Constitution of the Federation of Malaya, only the Federal Government could impose import or export duties. This is also the position at present.

11. *Ibid*, speech by Mr. Khoo Teik Ee, p. 424.

12. For the development of inflationary pressures in Malaya and the measures taken by the Government to control the situation see, for example, *Proceedings of the Federal Legislative Council (Fourth Session)*, February, 1951 to February, 1952 (Kuala Lumpur, Government Printer), speeches made by various speakers on 25th April 1951, 26th April 1951, 11th July 1951, 12th July 1951, 21st November 1951 and 30th January 1952, pp. 7-442.

13. Section 2 (1) of the *Customs Proclamation* (Proclamation No. 30) made on 15th December, 1945, and published in B.M.A.G.N. No. 98 of 1945.

14. For the transfer of powers to the Chief Secretary, see Section 4 of the *Interpretation and Transfer of Powers (Proclamation) Ordinance, 1948*.



## EXPORT TAXES ON RUBBER IN MALAYA

These same powers were delegated by the Chief Secretary to the Financial Secretary.<sup>15</sup> He, like his predecessors, was under no legal obligation to report to the legislature on any customs order made.

Mr. Tan Siew Sin, the present Minister of Finance, then an unofficial member of the Legislative Council, was most outspoken on the necessity for the Federal legislature to be consulted on the revision of import and export duties, and he was supported by other unofficial members.<sup>16</sup>

Five months later, in April, 1951, the Government introduced a bill making it obligatory for the Financial Secretary when making a customs order to lay that order for the confirmation of the Legislative Council. Unless the Council 'by an affirmative resolution within ten days of its being so laid, approves that order, then the order will cease to have effect and not only would it not operate any further, but any money paid under it will be refunded.'<sup>17</sup>

### DEVELOPMENT SINCE THE KOREAN WAR BOOM

There have been many important changes made in the system of taxation on rubber export since the Korean War boom in Malaya. These changes can be conveniently grouped under two headings: changes made before the publication of the Mudie Mission Report, and changes made after Government had considered the Report of the Mission.<sup>18</sup>

#### (a) The pre-Mudie Mission Period

The first major change in the export duty on rubber after the Korean War was made by the Customs Duties (No. 41) Order which came into force on 1st January, 1951.<sup>19</sup> Under this new Order, the export tax for the price of rubber at or below 60 cents per pound remained at 5% *ad valorem*. Above 60 cents per pound the tax was on a graduated scale rising progressively according to the formula  $(1.55P-63)/10$ , P being the price of rubber in cents per pound. Thus under the old rate, if the price of rubber was \$1.00 per pound, the export duty was 5 cents. Under the new rate, it was 9.2 cents. The new export tax was referred to in the Order as Schedule I duty.

The order also contained another major change in the levy on rubber export. This was the imposition of a cess, for the first time in the history of the rubber industry in Malaya, intended to assist the replanting of rubber trees. The cess was called Schedule II cess. At or below 60 cents per pound, there was no tax under Schedule II. Above 60 cents per pound, the tax was on a sliding scale,

15. See G.N. No. 3978 published in the *Federation of Malaya (F.M.) Gazette* on 23rd December, 1948.

16. *Proceedings of the Federal Legislative Council (Third Session)*, *op.cit.*, pp. 453, ff.

17. *Proceedings of the Federal Legislative Council (Fourth Session)*, February, 1951 to February, 1952, (Kuala Lumpur, Government Printer), p. 88.

18. The Mission consisted of the Chairman, Sir Francis Mudie, formerly Home Member of the Viceroy's Executive Council in India and latterly Head of the British Economic Mission to Yugoslavia, and two other members. Their main terms of reference were the examination of the taxation of the rubber industry and the maintenance of existing capital in the industry. They arrived in Malaya in June, 1954 and presented their Report in August, 1954. This was laid before the Legislative Council on 6th October as *Legislative Council Paper No. 58 of 1954*.

19. The Order appeared in *Federation of Malaya L.N. 575 of 1950*.

## EXPORT TAXES ON RUBBER IN MALAYA

but the rates were much lower than those under Schedule I. The formula for calculating the Schedule II cess, applicable when the price was above 60 cents per pound was  $(0.45P - 27)/10$ , where P was the price of rubber in cents per pound.

There was also a research cess imposed under the order known as Schedule III cess. Under this a flat rate of 0.50 cent per pound was payable to the Malayan Rubber Fund. This research cess was not new and was a continuation of past practice. The order also made provisions for forward purchases which need not engage our attention here. At Appendix A is a table showing the rates of duties payable under the various Schedules at different price levels under the No. 41 Customs Order.

It must be pointed out that the revolutionary changes in the tax structure embodied in the No. 41 Customs Order had never been referred to the Federal Legislature for approval or discussion. The order was made before the Customs Orders (Approval by Resolution) Bill was introduced in the Legislative Council requiring a customs order to be referred to the legislature for approval. There has, however, been full consultation between the Government and the rubber growers' associations.

The changes have been described as revolutionary because for the first time in Malaya, the Government had considered that it was its vital responsibility to utilise its tax machinery to finance the all important replanting programme. Some doubts were expressed at the time both in respect of the wisdom of replanting and as to whether the Government should step in actively to promote replanting, though at present few would question the wisdom of Government's help in ensuring that replanting is carried on urgently and on a large scale.<sup>21</sup> It meant also the introduction for the first time of high progressive rates of taxation at price levels above 60 cents per pound. They made the tax burden of the industry doubly heavy since corporate taxes had also been introduced in Malaya after the War.

These changes also signified a radical change in the Government's policy. It meant a deliberate pursuit of an income stabilization policy through the export tax machinery.<sup>22</sup> The setting up of a stabilization fund was one of the three reasons Government gave for increasing export taxes on rubber. The other two reasons were the financing of replanting, and the collection of more revenue to meet the mounting Emergency expenditure.

One further point should be mentioned. The idea of financing a replanting programme through the imposition of a cess on rubber export did not originate from the Government as is often believed; it in fact emanated from the rubber

20. See, for example, *Proceedings of the Federal Legislative Council (Fourth Session)*, op. cit. speech by Mr. H.H. Facer, p. 137.

21. The case for replanting is forcefully expressed both in the *Report of the Mission Enquiry into the Rubber Industry*, (Kuala Lumpur, Government Printer), 1954, and in the Government's White Paper on *Taxation and Replanting in the Rubber Industry*, (Kuala Lumpur, Government Printer), 1955.

22. This stabilization policy was later hotly debated in the Legislative Council. See, for example, *Proceedings of the Federal Legislative Council (Fourth Session)*, pp. 137-154.

## EXPORT TAXES ON RUBBER IN MALAYA

industry,<sup>23</sup> though in later years it was the Government that tried to push the scheme through with vigour and enthusiasm.<sup>24</sup>

The Customs Duties (No. 45) Order which came into force on 1st March, 1952 contained a new Schedule IV tax of 4½ cents per pound which was levied on rubber exports when the price was more than 75 cents per pound.<sup>25</sup> This tax was superimposed on the tax structure created under the previous orders.

The money collected under Schedule IV was paid into two Funds — Fund A for estates and Fund B for smallholdings. The proportion payable into each of the two Funds was based on the respective annual production of estates and smallholdings.

The two Funds are under the charge of the Replanting Board set up under the Rubber Industry (Replanting) Fund Ordinance, which came into force on 1st May, 1952. Money collected for Fund A under Schedule IV was returned unconditionally to individual estates against actual production figures submitted. Money collected for Fund B was not returned directly to individual smallholders, but grants were made to smallholders who replanted rubber trees. The grant to smallholders was then \$400 per acre.

The money collected under Schedule II was paid to the same two Funds in the same proportion for estates and smallholdings as in the case of Schedule IV cess. It was however returned to individual estates against figures of actual replanting or new planting undertaken. For smallholdings proof of replanting was difficult to obtain and in their case the money was kept in Fund B together with the Schedule IV cess.

The Schedule IV cess had the full support of the smallholders' representatives on the Rubber Producers' Council.<sup>26</sup> The estate owners did not voice any opposition since the money collected under the cess would be refunded to them unconditionally.<sup>27</sup>

The Schedule IV cess was later revised to make it operative irrespective of the rubber price. It was feared that if the price fell below 75 cents per pound the commitments of the Replanting Board could not be adequately met. It was realized that for a replanting programme of an extensive nature, the source of finance should not be stopped abruptly unless there already existed a sufficiently large surplus fund from which the annual grants under the replanting programme could be made. Such a surplus fund did not exist. Thus, the amendment was a wise move, though it is doubtful whether at very low prices, smallholders could afford to pay this duty.

23. *Ibid.*, p. 144, speech by Mr. Khoo Teik Ee.

24. For information on the progress of replanting rubber in Malaya before the arrival of the Mudie Mission, see *The Rubber Industry (Replanting) Board, Scheme No. 2 for the Administration of Fund B, Report on Operations for the Period 1st November 1952 to 31st December 1953*, Kuala Lumpur, Caxton Press Ltd.

25. Order published in the Federation of Malaya L.N. 16 of 1952.

26. The Rubber Producers' Council consists of representatives of the Rubber Growers' Association, the United Planting Association of Malaya, the Malayan Estate Owners' Association, and representatives of smallholders. The Council was set up in March, 1951.

27. As a matter of interest, the original intention of the Government was that the Schedule IV cess was to operate as a replanting cess for both estates and smallholders. The strong opposition from the estate-owners caused the cess to be made applicable to smallholdings only.

## EXPORT TAXES ON RUBBER IN MALAYA

When the Mudie Mission came to Malaya in 1954, the structure of export taxes in the rubber industry could be briefly summed up as follows:—

- (a) There was the export duty proper or Schedule I tax of 5% *ad valorem*, if the price per pound was 60 cents and below, and above 60 cents the tax was on a progressively graduated scale.
- (b) There was the Schedule II cess payable by both smallholders and estate-owners, returnable to estate-owners against actual replanting or new planting undertaken.
- (c) There was the Schedule III research cess which at that time was 0.5 cent per pound.
- (d) Finally there was the smallholders' replanting cess or Schedule IV cess of 4½ cents per pound payable irrespective of price.

### (b) The post-Mudie Mission Period

With the tax structure at the time, the rubber industry naturally felt that it was overtaxed. This was the chief reason why the Mudie Mission was invited to Malaya. Its main terms of reference were to determine the burden of taxation shouldered by the industry, and to consider whether, with this burden, the industry could still put aside enough funds for replanting purposes.

The Mudie Mission recommended that the Schedule II cess be abolished on the grounds that the amount collected was negligible when the price was not high. In 1954 for example, the amount collected for Fund A and Fund B under Schedule II cess was only \$4.30 million, whereas the amount obtained from Schedule IV cess was \$57.40 million. However, it must be pointed out that when the price was high, the position would be different. In 1951, for example, when the price was exceptionally high, the amount collected under Schedule II was \$49.93 million. In any case there is little doubt that the declining yield from Schedule II cess<sup>28</sup> must have greatly influenced the Mission to come to the conclusion that the funds from Schedule II cess "were too meagre to induce estates to replant on an adequate scale".<sup>29</sup> This recommendation to abolish the Schedule II cess was accepted by the Federation Government.<sup>30</sup>

Another important recommendation of the Mission was the extension of the Schedule IV cess to cover estates as well.<sup>31</sup> The representatives of estates on the Rubber Producers' Council were strongly against this on the grounds that it introduced an unnecessary and avoidable principle of compulsion on re-investment in the estate sector of the industry, and that at low price levels, the industry would not be able to put aside the 4½ cents per pound cess for replanting.<sup>32</sup> Whatever the merits and demerits of the estate owners' arguments, in view of

28. \$49.93 million in 1951, \$20.94 million in 1952, \$5.02 million in 1953, and \$4.30 million in 1954. Figures of collections from Schedules II and IV cesses were obtained from *Annual Estimates of Revenue and Expenditure of the Federation of Malaya* (Kuala Lumpur, Government Printer), 1952 & 1955.

29. *Report of the Mission of Enquiry into the Rubber Industry of Malaya*, *op. cit.*, p. v.

30. *Taxation and Replanting in the Rubber Industry*, *op. cit.*, p. 9.

31. *Report of the Mission of Enquiry into the Rubber Industry of Malaya*, *op. cit.*, p. also p. 20.

32. *Taxation and Replanting in the Rubber Industry*, *op. cit.*, pp. 7-8.



## EXPORT TAXES ON RUBBER IN MALAYA

their persistent and strong opposition, the Government decided not to proceed along the lines recommended by the Mission since much importance was attached to cooperation, mutual confidence and understanding between the Government and the industry. It is interesting to recall that this recommendation of the Mission was in fact also a proposal put up by the Government in 1952 to estate-owners, but then withdrawn on their opposition.

The most important recommendation of the Mission was that at 60 cents and below 60 cents per pound, the Schedule I duty should be abolished, above 60 cents up to 78 cents, it should be reduced, and above 78 cents, the rates should be more steeply graduated.<sup>33</sup> The Mission felt that at 60 cents per pound and below, the industry could not pay export duties, and at the same time put aside enough money for replanting. Above 78 cents per pound, higher rates of taxation were recommended partly as an anti-inflationary measure, and partly because there could be justification for the Government to participate in windfall gains, which should benefit the nation as well as the industry. After much discussion with the Rubber Producers' Council, which strongly opposed this recommendation, the Government in April 1955 adopted a compromise scheme, which remains almost unaltered to the present time.

The Government's scheme was as follows:—<sup>34</sup>

(a) At 60 cents per pound and below 60 cents per pound, the *ad valorem* rate of duty was reduced from 5% to 4%, because while the Government agreed with the Mission that at such low prices, the rate of export duty, taking into account the other cesses, was high, it could not "contemplate the abolition of export duty as a regular source of revenue."

(b) Above 60 cents per pound up to 80 cents the sliding scale rates would be lowered, but not to the extent as recommended by the Mudie Mission. Above 80 cents per pound, the sliding scale rates would be raised, but also not to the extent as recommended by the Mission. At Appendix B is a table showing the various schedule rates currently in force.

(c) The Government would over eleven years give a sum of \$280 million to the rubber industry to help finance the rubber replanting and new planting programmes. Of the \$280 million, 60 per cent would be given to the estate sector and the balance to the smallholdings.<sup>35</sup>

An advantage of the Government's scheme was that the Rubber Producers' Council was prepared to give it its support. Perhaps it would be more correct to say that between the Government's scheme and that recommended by the Mission, the Council found the former the lesser of the two evils.<sup>36</sup>

33. *Report of the Mission of Enquiry into the Rubber Industry*, *op. cit.*, p. vi, also pp. 35 to 36.

34. See *Taxation and Replanting in the Rubber Industry*, *op. cit.* pp. 9-10.

35. The financing of the schemes for replanting and new planting gave rise to a heated debate in the Legislative Council. See Federation of Malaya, *Report of the Proceedings of the Legislative Council, Wednesday and Thursday, 4th and 5th May, 1955*, (Kuala Lumpur, Government Printer), 1955, Columns 309 to 345.

36. For an alternative scheme recommended by the Rubber Producers' Council, see *Taxation and Replanting in the Rubber Industry*, *op. cit.* pp. 8 to 9.

## EXPORT TAXES ON RUBBER IN MALAYA

In view of the vital importance of replanting on a sufficiently large scale, the Government's scheme had the advantage that it included a guarantee to finance the replanting and new planting programme. Over the following 11 years, \$168 million would be allocated to the estates, while \$122 million would be available for the smallholdings, in addition to funds from the Schedule IV cess. It may however be argued that under the Mission's scheme, the funds obtainable from Schedule IV cess would be likely to bring in about \$624 million in the 11 years on the basis of the 1953 production figures.<sup>37</sup> This sum when allotted to Fund A at 60% would be \$374 million, which would be more than the \$280 million promised by the Government for both estates and smallholdings.

Further, under its scheme, should rubber price fall below 80 cents per pound, the Government would collect less revenue from the Schedule I duty than before while bearing the burden of the bill for the replanting programme. However, if the price stayed at, say, 90 cents per pound, the Government would be able to collect an additional \$230 million under the new Schedule I duty. At \$1.00 per pound, the additional collection would be \$443 million. The Government would thus break even with the price of rubber slightly above 90 cents per pound and gain about \$163 million over the 11 years should the price be \$1.00 per pound.<sup>38</sup> At Appendix C is a table showing the different estimated annual yields from the old and new Schedule I duty, and also the yields under the Mudie scheme at different price levels.

In comparison with the Mission's scheme, the Government's scheme was weak as an anti-inflationary measure. At \$1.50 per pound, the duty payable under Schedule I was only 22.5 cents, whereas under the Mission's proposal, it would be 42 cents. The Korean War boom experience shows that at such high prices as \$1.50 per pound, there would be serious inflationary pressures in Malaya, if the high prices persisted over a period of time. Whatever the merits and demerits of the present currency system, the burden of stabilizing the fluctuating Malayan economy has to be borne primarily by fiscal measures. A surplus budget based on a steeply graduated export tax structure which aims at mopping up the excessive demand appears to be the most practicable method available in Malaya.

The Government however was not unaware of this, and it therefore introduced an anti-inflationary cess operative only when the price exceeded \$1.00 per pound. This cess would be returned to the estate sector of the industry by instalment when the price was "for eight successive weeks less than \$1.00 per pound or such higher price as the Minister may determine."<sup>39</sup> In the case of the smallholders, as the returning of the cess was administratively impossible, it was therefore made payable to Fund B. Since this might unduly inflate Fund B, the Schedule IV cess could then be reduced to 2 cents per pound.<sup>40</sup>

37. The funds collected from Schedule IV amounted to \$56.7 million in 1953. This would add up to about \$624 million in 11 years.

38. See Appendix C. Thus at 90 cents per pound for the price of rubber, the increase of the new duty over the old was about \$20.9 million per year. Over 11 years the total increase would be \$230 million.

39. See Federation of Malaya, *The Rubber Industry (Anti-Inflationary Cess) Fund Ordinance 1956*, No. 26 of 1956.

40. The Schedule IV cess was in fact reduced to 2 cents per pound for more than three years between September 1956 and December 1959. See *The Rubber Industry (Replanting) Fund (Cess) Order, 1956*, Federation of Malaya L.N. 247/1956.

## EXPORT TAXES ON RUBBER IN MALAYA

The reduction of the Schedule IV cess for the smallholders, would work against the anti-inflationary measure. Moreover, in the case of estates the return of the anti-inflationary cess should be made at a lower price level than \$1.00, say, 70 cents per pound. This would also make the cess an effective weapon in forestalling any serious depression.

The reduction of the *ad valorem* tax from 5% to 4% when the price of rubber was 60 cents and below per pound is in principle unsound, for it would mean that even if the rubber price were to fall to, say, 10 cents per pound or or that matter 1 cent per pound, there would still be the 4% duty payable. There should surely be a minimum price level under which the Government should cease to depend on rubber exports as a major source of revenue, or as a source of revenue at all, though the precise level is likely to remain a debatable point. A practical solution would be to adopt the graduated duty system even for prices below 60 cents, tapering off gradually at a certain minimum price.

The most unsatisfactory feature of all the schemes, whether the pre-Mudie scheme, the Mudie scheme, the scheme put forward by the Rubber Producers' Council, or the present compromise Government scheme, is the heavy incidence of the tax burden on the small rubber farmers. Under the present export tax structure, for example, when the rubber price in Singapore is 60 cents per pound,<sup>41</sup> the rubber farmer would have to pay a total export levy of 7.625 cents per pound, consisting of Schedule I tax 2.375 cents, Schedule III cess 0.75 cent and Schedule IV cess 4.5 cents. We assume that the typical rubber farmer has about 3 acres of rubber land, and the average yield per acre is about 360 pounds per year. In a year he produces 1,080 pounds or an average of 90 pounds per month. At 60 cents per pound, his gross receipt per year is \$648.00. His net income is much less taking into consideration the depreciation of rubber trees, rent, costs of tapping knives, cups, buckets, and interest charges. In addition, he has to pay about \$82 per year in the form of export levy.

At a price of \$1.20 per pound, it is likely that inflationary pressures will develop in Malaya unless counter inflationary measures are taken. At this price level the 3-acre rubber farmer has to pay a total export levy of 23.25 cents per pound of rubber sold, consisting of Schedule I tax 13 cents, Schedule III cess 0.75 cent, Schedule IV 4.5 cents and anti-inflationary cess 5 cents. He obtains a gross receipt of \$1,296 per year out of which he has to pay about \$250.00 export levy.

If we take into consideration the price differential between RSS No. 1 rubber in Singapore and smallholder's rubber, and the price differential due to transportation costs, it would appear that a strong case can be made for remitting a part of the export levy on the smallholder when the price of rubber is high and for remitting a large part or the whole of the tax when the price is low. It is probable that on balance, after taking into account funds which are returned to these farmers, they are more heavily taxed than under any conceivable alternative tax system. If this should be so, the rubber export levy must be an important contributory cause of rural poverty in Malaya.

41. For the purpose of computing the export levy, the RSS No. 1 f.o.b. price in Singapore is used. This price is much higher than the price the smallholders received for their products.

# APPENDIX A

## DUTY AND CESSSES UNDER NO. 41 CUSTOMS ORDER

Price in cents per pound	Schedule I duty (cents per lb.)	Schedule II cess (cents per lb.)	Schedule III cess (cents per lb.)	Total export levy (cents per lb.)
Under 60	5% <i>ad valorem</i>	Nil	0.500	variable
60	3.000	Nil	0.500	3.500
61	3.125	Nil	0.500	3.625
62	3.250	0.125	0.500	3.875
63	3.500	0.125	0.500	4.125
64	3.625	0.125	0.500	4.350
65	3.750	0.250	0.500	4.500
66	3.875	0.250	0.500	4.625
67	4.125	0.375	0.500	5.000
68	4.250	0.375	0.500	5.125
69	4.375	0.375	0.500	5.250
70	4.500	0.500	0.500	5.500
71	4.750	0.500	0.500	5.750
72	4.875	0.500	0.500	5.875
73	5.000	0.625	0.500	6.125
74	5.125	0.625	0.500	6.250
75	5.375	0.625	0.500	6.500
76	5.500	0.750	0.500	6.750
77	5.625	0.750	0.500	6.875
78	5.750	0.750	0.500	7.000
79	6.000	0.875	0.500	7.375
80	6.125	0.875	0.500	7.500
90	7.675	1.375	0.500	9.550
100	9.250	1.750	0.500	11.500
150	17.000	4.000	0.500	21.500
200	24.750	6.250	0.500	31.500

Source: *Mudie Mission Report, op. cit.*, p. 65.



# APPENDIX B

## EXPORT DUTY AND CESSSES CURRENTLY IN FORCE

Price in cents per pound	Schedule I duty (cents per pound)	Anti- inflationary cess (cents per pound)	Schedule III cess (cents per pound)	Schedule IV cess (cents per pound)	Total export duty (cents per pound)
40	1.625	—	0.75	4.5	6.875
50	2.00	—	0.75	4.5	7.25
60	2.375	—	0.75	4.5	7.625
65	3.375	—	0.75	4.5	8.625
70	4.250	—	0.75	4.5	9.5
75	5.250	—	0.75	4.5	10.5
80	6.125	—	0.75	4.5	11.375
90	9.250	—	0.75	4.5	14.5
100	12.375	—	0.75	4.5	17.625
110	13.50	2.50	0.75	4.5	21.25
150	22.50	12.50	0.75	4.5	40.25

Source: *Mudie Mission Report, op. cit.*

# APPENDIX C

## ESTIMATED ANNUAL YIELDS FROM SCHEDULE I DUTIES AT DIFFERENT PRICE LEVELS

(Assuming an annual production of 575,000 tons)

Price in cents per pound	Present Schedule I Duty (\$ m.)	Pre-Mudie Schedule I Duty (\$ m.)	Mudie's Proposed Duty (\$ m.)
40	20.93	25.76	Nil
50	25.76	32.20	Nil
60	30.59	38.64	Nil
65	43.47	48.30	12.88
70	54.74	57.96	32.20
75	67.62	69.23	57.96
80	78.89	78.89	90.16
90	119.14	98.21	154.56
100	159.39	119.14	218.96
110	173.88	138.46	283.36
120	289.80	218.96	540.96

Source: *Taxation and Replanting in the Rubber Industry*, *op. cit.*, p. 41.

# THE DOMESTIC IMPLEMENTATION OF THE 1953 INTERNATIONAL TIN AGREEMENT IN MALAYA<sup>1</sup>

BY YIP YAT HOONG

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In his article "The International Tin Agreement, 1953" in a previous issue of this *Review*, Mr. Siew Nim Chee says, "In the case of Malaya, . . . there has already been published a Government White Paper which outlines the principles for the domestic implementation of the International Tin Agreement of 1953. . . . It is hoped that a detailed discussion of it will be possible at a later stage."<sup>2</sup> This paper proposes to act upon this suggestion and to examine the domestic application of the agreement in Malaya.

Under the 1953 agreement, the International Tin Council is concerned only with the international application of the agreement and has no control over its domestic administration in member countries. It is therefore left entirely to each participating producing country to adopt such internal measures as are considered necessary to enforce the provisions of the agreement and to ensure that its exports equate its permissible export amount for any control period.<sup>3</sup>

It should be pointed out that because of the differences in the composition and structure of the industry and in the degree of government participation in the exploitation of tin concentrates between countries, the principles and the methods adopted by other producing countries for their domestic implementation of the agreement may not be applicable in Malaya and vice versa.

One striking feature of the Malayan tin-mining industry is the large number of individual production units compared with Indonesia, Bolivia and Nigeria, the other principal tin-producing countries in the world. This means that control of production in Malaya is perhaps more complicated because it involves the production restriction of more than 700 individual operating mines and an allocation of an equal number of individual production assessments.

## (A) ESTABLISHMENT OF THE CENTRAL COMMITTEE

For the purpose of the administration of the 1953 agreement domestically in Malaya,<sup>4</sup> the *Tin Control Regulations, 1955* provides for the appointment of a

1. This paper is based on part of a chapter of my thesis "Malaya in the 1953 International Tin Agreement", submitted to the University of Malaya in Singapore in April, 1960 for the Degree of Master of Arts.

2. Siew Nim Chee: "The International Tin Agreement, 1953", *Malayan Economic Review*, Vol. II, No. 1, April 1957, p. 50.

3. Domestic export control measures were enforced in Malaya from December 15, 1957 when control of exports was introduced for the first time under the present agreement. However, these measures will be removed from October 1, 1960 with the lifting of export control.

4. The tin-mining industry in Malaya as a whole had, by 1954, voted for Malaya's participation in the agreement. In a referendum conducted by the Federation Government by secret ballot, the voting was as follows: in favour of the agreement 68.3%, against the agreement 29.9%, abstentions 1.8%, the votes being counted on the basis of one vote per pikul of 1953 production.

## INTERNATIONAL TIN AGREEMENT

Central Committee, as in previous agreements, with the Chief Inspector of Mines as Chairman and with representatives of European and Chinese mines. It is this committee which shall decide on the domestic distribution of production quotas, the policy for grouping and dealing in quotas and the rate of Malaya's contributions to the buffer stock.

The central committee is assisted in the enforcement of the *Regulations* by regional committees whose duties include granting and revising assessments to producing mining units. One advantage of this set-up is that there is provision for any person to appeal to the central committee over a decision of a regional committee. This provision is particularly useful in view of the large number of separate assessments that each regional committee would have to make.

### (B) DISTRIBUTION OF PRODUCTION QUOTAS

In the event of export control coming into force, there are provisions in Malaya for the control of her exports by controlling deliveries by mines, so that the tin exported will not exceed her total permissible export amount for any control period. Each producing unit, whether a dredge or a gravel-pump mine, is granted a quota of tin concentrates to be delivered in each quota period. Each quota is based on an assessment which represents the estimated annual potential production of that producing unit.

#### DIVISION OF TOTAL PRODUCTION QUOTAS BETWEEN EUROPEAN AND ASIAN MINES

The *Regulations* lays down that the total quota, i.e. the total permissible export amount, should be divided between European and Asian mines in proportion to their productions during the three years, 1951 to 1953. Originally these proportions were: European mines 61.2%, Asian mines 36.8% and dulang washers, etc. 2.0%. These proportions have been revised on the basis of the proportional production by these sections during later assessment periods as follows: European 58.66%, Asian 39.55% and dulang washers, etc. 1.79%.

The purpose of this division is to "guard against any adverse effects on one section arising from an increase in the total active Assessments of the other section e.g. if more European dredges were started then the Quotas of individual European mines would be reduced, but Asian mines would be unaffected."<sup>5</sup>

There is no doubt that such a division of the total quotas is desirable in view of the different techniques of mining adopted by European and Chinese miners in Malaya. The main bulk of European output comes from dredges which are heavily capitalised producing units, operating on a relatively low average variable cost of production as compared with the Chinese gravel-pump mine which are mainly small producing units, more labour-intensive and generally incur a higher variable cost of production per pikul of output. Since gravel-pump mines require less expenditure on capital equipment than dredges, they can be more quickly rehabilitated and brought into operation. On the other hand, since they employ a comparatively larger number of persons, the problem of unemployment becomes more serious during export control.

5. *An Outline of the Principles for the Domestic Implementation in Malaya of the International Tin Agreement*, Federal Legislative Council Paper No. 76 of 1954, p. 6.



## INTERNATIONAL TIN AGREEMENT

For this reason some Chinese gravel-pump miners believe that the present unemployment problem could be partly relieved if a more favourable quota could be granted to Chinese mines. Most probably the degree of unemployment in Chinese mines could be somewhat relieved in this way, but any attempt to increase the quota of Chinese mines at the expense of European mines at present bound to create opposition from the European sector of the mining industry. Moreover, the overall improvement in the level of employment is unlikely to be very substantial so that this suggestion could hardly be a solution to the problem.

### CALCULATION OF PRODUCTION ASSESSMENTS

Because of the different mining techniques used by dredging and the other methods of mining, the *Regulations* provides for different methods for the calculation of dredging and non-dredging assessments.

(i) Dredging assessments are calculated as follows:—

$$\text{Assessment} = \frac{\text{Production during base period}}{\text{Number of Hours of operation during base period}} \times 7,500.$$

In other words, a dredging assessment may be calculated from the average production per hour of operation during the base period, multiplied by 7,500.

(ii) Non-dredging assessments are calculated as follows:—

$$\text{Assessment} = \frac{\text{Production during base period}}{\text{Number of Days of operation during base period}} \times 365.$$

In other words, a non-dredging assessment may be calculated from the average production per day of operation during the base period, multiplied by 365.

These apply to mines already in operation before the end of 1957, i.e. before the introduction of export control. For these mines, the base (or assessment) period is a period of 5 years before the imposition of the export control, namely from January 1, 1953 to December 31, 1957, provided that the time of operation during the whole 5-year period should be at least 7,500 hours in the case of a dredge<sup>6</sup> and 365 days in the case of a non-dredge. If the working time for a mine is less than 7,500 hours or 365 days as the case may be, the base period will be extended back to make up for the specific working time.

The *Regulations* also provides for the calculation of assessments in instances where the assessment periods or production times are less clearly defined. In the case of mines coming into operation after the imposition of export control by the International Tin Council, their quota will be related to the horse-power of the machinery installed, at the rate of one pikul per annum for every one horse-power of machinery installed and operating in connection with these new producing units. This quota is far from sufficient to cover normal production because it reduces to about one-third on the average the potential productivity of each horse-power of machinery used on a mine.

The overall effect of this would be to discourage new enterprise and capital being brought into the industry and delay in prospecting for new mining lands and opening up of entirely new mines. Since existing mining lands are

6. 7,500 hours is the normal maximum length of working time for a dredge annually.

## INTERNATIONAL TIN AGREEMENT

gradually being exhausted, a problem which becomes more serious each year, a greater inducement is necessary in terms of larger quotas for new mines, as long as the export control lasts, if new mines are to be opened to replace old ones.

The *Regulations* further provides for the revision of production assessments on which production quotas are to be allocated after every two years. The purpose of this is to ensure a continuous fair distribution of production quotas over time.

In many ways, the principle of granting mines production quotas in the domestic implementation of export control in Malaya is based on her restriction practices of pre-war days but with certain improvements drawn from her experiences with past schemes. The main dissatisfaction with the pre-war system of quota allocation was the granting of production quotas to those with titles to the mining land rather to those actually operating the mines, as well as the absence of any control on the sale of such quota. Some miners who held titles to mining land could earn a substantial income without having to produce any concentrates, by selling their quota to other producing miners. The price for such quota generally moved with the amount of permissible export for Malaya, rising when the export percentage was low and falling when the export percentage was high. During the pre-war tin restriction, it was not uncommon for the price of quota to be as high as \$35 to \$40 per pikul which amounted to about one-third the price of one pikul of tin concentrates at that time.

Under the present method, such undesirable practices cannot be repeated because there are provisions not only for the regulation of the sale of quota but also for such quota to go to the operator of the mine and to accompany the mine on change of ownership or change of location. In this way, assessments and quotas would pertain to the sublessees rather than to the sub-lessors. This new provision is highly desirable in view of the fact that a sub-lessor could cancel or not renew a sub-lease in order to gain control of the assessment from genuine miners.

### (C) GROUPING AND DEALING IN QUOTAS

Because of the fact that the tin-mining industry in Malaya is divided into many small producing units, it is difficult for Malaya to implement effectively the 1953 agreement internally in terms of restriction and allocation of production quota to these producing units. Control of production in fact means restriction of operation, the effects of which vary with the size of producing units. With large producing units, restriction of production may be successfully met by laying off part of the existing plant and continuing production with the remaining. With small producing units, production restriction implies the closing down of the whole plant for certain periods of the year because the size of such plants does not provide for easy division.

It is not practicable and is in fact highly uneconomic for a mine to continue production for a few months and then to remain inactive during the remainder of the year. This is particularly true in the case of Chinese gravel-pump mine where the *palong* or sluice, which on the average costs over \$10,000 to construct, could rot away quickly in the absence of constant use and supervision. To maintain it properly during the months of inactivity would incur too high production cost for the miner.

## INTERNATIONAL TIN AGREEMENT

In order to ensure more economic exploitation of the concentrates, a system of grouping has therefore been devised whereby mines are given the freedom to join together for the purpose of using the quota within the group. This system has certain obvious advantages. Only a percentage of the mines within a group (there is no limit to the size of a group) needs to be in active operation and the rest could remain as potential producing units, yet these few active mines could make use of the total quota for the group. In addition, quotas could become a marketable commodity so that they may be bought or sold.

It should be mentioned that this principle of grouping is not altogether novel. Already its needs were realised in earlier attempts at establishing suitable regulations for the implementation of the other international tin agreements within Malaya. What is new is the establishment of the "quota sales pool" and the "common surrender pool" and other regulations which control the purchase and sale of quotas. It was the absence of such provisions in past regulations which led to certain malpractices in the pre-war years. The present *Regulations* provides for the establishment of separate quota pools for European and Asian producers for the purchase and sale of quota by producers during the first two months of each quota period. The procedure to be adopted in fixing the price for the purchase and sale of quota in the quota sales pools for each quota period is laid down in the *Regulations*.<sup>7</sup>

The *Regulations* further provides that any balance of quota offered for sale to the quota sales pool remaining unsold should, after the first two months of the quota period, be transferred to a "common surrender pool". From the common surrender pool, this unsold quota will be distributed free to other producers on request.

The main advantage of the present system of control in the sale of production quota is that it keeps to a low figure the price for the sale of quota by one mine to another, and thus avoids increasing the cost of production of those active miners in the industry. In practice, the demand for quota from the sales pools usually exceeds its supply so that in fact, there is little occasion for the common surrender pool to operate.

### (D) CONTRIBUTION TO THE BUFFER STOCK

Under Article VIII of the 1953 agreement, producing countries are required to contribute together to the buffer stock an equivalent of 25,000 tons of tin metal, of which not more than 75 per cent shall be in metal. The Contribution should be by stages—an initial contribution of 15,000 tons of tin metal followed by two subsequent contributions of 5,000 tons each. The contribution of each producing country participating in the agreement is determined by its percentage production to the aggregate world production of all the participating producing countries.<sup>8</sup>

In terms of this division, Malaya, as the leading producing country, is obliged to make an initial contribution of an equivalent of 5,490 tons of tin metal to the buffer stock and two subsequent contributions of 1,830 tons of tin metal each. If Malaya's contributions were to be all in cash, which is actually the case

7. See regulation 64.

8. See United Nations Tin Conference: *International Tin Agreement, 1953, Annex A, p. 22.*

## INTERNATIONAL TIN AGREEMENT

so far, it has been calculated that the total sum involved (based on the old floor price of £640 per ton of metal) would amount to about \$50¼ million.

To raise this sum for the buffer stock, Malaya had to borrow from the Government of the United Kingdom. Although the Federation Government is the contracting party of the agreement, in actual fact it is the individual miners in the industry who are the real participants and who should contribute towards the buffer stock. This is done by the Federation Government imposing a compulsory levy on all concentrates exported from the country at an average rate of about 10 per cent of the net receipt of the miner.<sup>9</sup> The rate of such contributions is fixed for each contribution period of three months although it may vary between contribution periods, depending upon the following:—

- (i) The daily average price of tin in the Singapore market for the period of one month ending seven days before the beginning of the contribution period. This average is the assumed price of tin for the contribution period, and
- (ii) The rate of contribution is related to the assumed price of tin according to the following scale:—

<i>Assumed price of tin</i>	<i>Rate of contribution per pikul</i>
Not exceeding \$320	\$12
Over \$320 and not exceeding \$340	15
Over \$340 and not exceeding \$360	18
Over \$360 and not exceeding \$380	21

and thereafter for every increase of \$20 in the assumed price of tin the rate of contribution per pikul is increased by \$3.<sup>10</sup>

In Malaya, the first buffer stock contribution period started on 15th October 1956 with contribution at the rate of \$24 per pikul of tin concentrates. This rate was to continue for the next three contribution periods and by 14th October 1957 \$30,711,000 had been collected, sufficient to cover the whole of Malaya's initial contribution towards the buffer stock.

This buffer stock levy had its effect on the mining industry. At the end of the first quarter of 1957, there were 43 fewer active tin-mining units as compared to the number of units operating at the end of 1956. Of these, 33 were Chinese gravel-pump mines, representing a reduction of about five per cent of such mines. They represent the higher-cost, marginal producers within the industry who could not afford this additional expenditure to their production cost. What is more unfortunate is that this compulsory contribution had to be continued into the export control period, thus increasing the hardship already caused by reduced production.

9. The pricing of tin concentrates is discussed in my article, "The Marketing of Tin-ore in Kampar", *Malayan Economic Review*, Vol. IV, No. 2, October, 1959.

10. See *Tin Control (Buffer Stock) Regulations, 1956*, Federal Legislative Council Paper No. 4 of 1954, regulation 5, p. 3.



## INTERNATIONAL TIN AGREEMENT

It is during depressing times like this in the Malayan tin-mining industry when one realises that the Federation Government should have, through the years, built up an amortisation fund from her substantial tin revenues instead of spending all the income arising from tin on general economic development of the country. From this fund, contributions towards the present buffer stock could perhaps be drawn.<sup>11</sup>

11. In his *Report upon the Mining Industry of Malaya*, (Kuala Lumpur, 1939), pp. 143-146, L.L. Fermor had recommended the formation of such an amortisation fund from tin revenues. It was suggested that whenever the annual tin revenues should exceed \$6 million, the balance should be credited in part or in whole, to this amortisation fund. Although this recommendation may not be followed in detail due to certain changes in the tin-mining industry in Malaya since the pre-war days, the principles of such a scheme may still be adopted.

# LAND PROBLEMS AND ECONOMIC GROWTH IN INDIA AND CHINA: ANOTHER VIEW

BY SIDNEY KLEIN\*

## I. INTRODUCTION

In the past year or two, a number of economists in widely separated parts of the world have had occasion to compare the economic development of India, either *in toto* or in part, with that of Communist China, and have reached the conclusion that "the differences in productivity between India and China—already large—will grow larger still in the immediate future."<sup>1</sup> While the writers generally do not state that the moral of their study is that India and the other underdeveloped nations of Asia ought to adopt China as a growth model, the reader is left with this conclusion implicitly.

It would appear difficult for the interested observer to read these articles without wondering why the disparity is—or seems to be—so great. It is difficult to imagine that these differences, whatever their magnitude, are not being attributed by readers to China's radical economic, political, and social philosophies and organizations; and that growing awareness of them is not exerting a significant influence on the direction of Asian and planetary political and economic developments. Indeed, Professor Clairmonte in his analysis states rather clearly his belief that these differences are due to "their divergent approaches to the all important land question" (p. 65), and he seems to imply that India ought to adopt the Chinese approach. He has thus articulated what seems to be a thought growing in the minds of some economists and laymen alike. The function of this article is to review the issues and questions he has raised from another point of view.

## II. STATISTICAL CONSIDERATIONS

No study of comparisons or contrasts in the economic development of nations can be any better than the quality and quantity of the statistical data available. Perhaps the classic story, one which has been repeated for years, concerns Harold Cox, who, while in India, quoted some Indian statistics to a judge. The judge in reply said, "Cox, when you are a bit older you will not quote Indian statistics with that assurance. The government are very keen on amassing statistics—they collect them, add them, raise them to the *n*th power, take the cube root and prepare wonderful diagrams. But what you must never forget is that every one

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1. Frederick F. Clairmonte, "The Chinese and Indian Land Problem—Divergent Approaches," *The Malayan Economic Review*, Vol. V, No. 1, April 1960, p. 65. See also Surendra J. Patel, "Planning in India and China. Its Relevance to Theory of Economic Growth," *Economic Weekly*, Special Issue, January, 1960, pp. 219-225, *passim*, and Wilfred Malenbaum, "India and China: Contrasts in Development," *American Economic Review*, Vol. XLIX, No. 3, June 1959, pp. 284-309.

## LAND PROBLEMS, INDIA AND CHINA

f those figures comes in the first instance from the *chowkidar* who just puts down what he damn pleases.”<sup>2</sup>

Made well over 30 years ago, the statement is still largely true today, and it is just as true, generally speaking, of China as it is of India. In India, currently as in earlier times, *chowkidar* are frequently illiterate, poorly paid, and burdened with numerous administrative responsibilities in the villages. In many cases, they have to travel long distances to make their various reports, and apathy and carelessness have marked their statistics collection efforts.<sup>3</sup> Under these circumstances, one can justifiably suspect Indian data which deal with agricultural production, productivity, costs, incomes, etc. To worsen matters, in addition to wrestling with the accuracy of data provided at the village level one is now forced to do the same at the National Government level.

It can only be described as alarming that neither the absolute data nor the index numbers issued by the Indian Government warrant even a moderate amount of confidence with respect to their accuracy. Strikingly mutually incompatible, they require invocation of the doctrine of *caveat emptor*.<sup>4</sup> The Indian Ministry of Food and Agriculture has cautioned against the use of the absolute data because variations in coverage and changes in the method of estimation have made many of the years non-comparable. Because the Ministry has thus far not indicated in sufficient detail what specific statistical techniques were used to create the index numbers—indeed, it has not even stated the extent of, and the justification for, the corrections made in the absolute figures on which the index numbers are based—it is not possible for anyone to verify the calculations which lead to them. Hence, one cannot be certain that these new measurements of activity in the rural areas of India warrant any more faith than the old ones. On the contrary, in view of the reticence of the Indian Government to make the necessary technical information known, information which *a priori* one would expect to be innocuous, one can only view the actions of the Ministry and the data it has issued with suspicion. To one student of the subject, it appears that a drastic downward revision in the Government's assessment of India's agricultural progress over the past ten years is in progress. “A reappraisal with grave implications has been smuggled into the official statistics in the guise of a correction for non-comparability.”<sup>5</sup> Given illiteracy, apathy, and carelessness at the local level, and doubtful competence, accuracy or intellectual honesty at the national level, what can the impartial observer say with confidence about developments in rural India since 1949-50? Let us pass over this question for the moment and consider the statistical situation in Communist China.

It is no better than in India and in some respects is worse.<sup>6</sup> In Communist China, statistical data have been manufactured by individuals who have either wanted to progress in the Party or to simply keep their positions. Competition

2. The earliest known source of this quotation is Sir Josiah Stamp, ‘Some Economic Factors in Modern Life, London, P.S. King and Son, 1929, pp. 258-9.

3. S. Chandrasekhar, *Infant Mortality in India, 1901-55*, London, Geo. Allen and Unwin, 1959, pp. 36-37.

4. Daniel Thorner, “India's Elusive Agricultural Output Figures,” *The Economic Weekly*, Special Issue, Vol. XII, No's. 4, 5, 6, January 1960, p. 199.

5. *Ibid.*, p. 200.

6. See Sidney Klein, “Note on Statistical Techniques in Communist China,” *The American Statistician*, Vol. 13, No. 3, June 1959, pp. 18-21.

## LAND PROBLEMS, INDIA AND CHINA

among fabricators of data has sometimes had a snow-ball-like effect and the Party has been considerably embarrassed when the truth came out.

In addition to deficiencies in character, there have been deficiencies with respect to formal education among the collectors of raw statistical data. A majority of the Chinese in the 1950's were, and probably even today are, illiterate. This, coupled with the prevalence of varying customs in different localities with respect to the precise meaning of terms used in weighing, measuring, and counting, further coupled with the geographically non-uniform progress the Communists have made in remedying these deficiencies, creates uncertainty as to precisely what changes have actually taken place in particular areas over given periods of time.

As long as non-deliberate statistical improprieties remained constant over time, differences among data could be used to measure the changes which had taken place. However, given the geographically uneven progress the Communists have made in reducing the illiteracy rate and in standardizing weights, measures, and counting systems, one can only speculate on how much of the agricultural activity which has been reported for the years 1950 to the present reflects actual increases in specific economic activities, and how much represents more accurate reporting or statistical data collection efforts. In any case, to say the least, with Peking as with New Delhi, one must use the data issued with restraint.

The question may be raised as to which of these two nations issues the relatively more reliable data; or to put it another way, the less unreliable data. In the opinion of this writer, the data issued by India are more worthy of belief than those issued by Communist China for the reason that while the long-term conditions which have militated against accuracy for statistical purposes have been the same in both countries, in China for the last ten years, Communist party pressure on members, sympathizers, and the general population has been so great as to introduce an additional element of inaccuracy. The massive pressure, both negative and positive, on specific organizations and individuals to show results has resulted in a vast amount of statistical inflation, particularly in the rural areas where the quantities and areas involved are larger and where the production units are more dispersed. In the urban areas, particularly where heavy industry is concerned, it has been much easier for the Party *per se*—which I believe is genuinely interested in honest accurate data—to control the weighing, measuring, and counting. It is notable that even economists genuinely impressed by the Chinese achievement of the last decade, or who are inclined to view charitably Chou En-lai's explanation of the downward revision of the 1958 data, accept the personal pressure element as a major factor in Chinese statistical processes.<sup>7</sup>

With all due awareness of the desire of the Communist Party leadership for accurate information on which to base their economic and other plans, one ought not to accept the Chinese data as being qualitatively on a par—however low they may be objectively—with those of India. In China, the pressures on individuals have simply been too great.

Given this situation, what can the impartial observer say with confidence about developments in rural China since 1949? This is precisely the same question posed above about India. In both cases, one ought to rely more heavily than

7. Charles Bettelheim, "The Chinese Leap Forward and The Revision of Statistics," *The Economic Weekly*. Special Issue, Vol. XII, No's. 4, 5, 6, January, 1960, p. 215.



## LAND PROBLEMS, INDIA AND CHINA

would otherwise be the case on qualitative data and on such quantitative data gathered or other observations made by "outsiders" with respect to each of the two countries concerned, as may be available. One ought to rely heavily on politically neutral data, data devoid of political or doctrinal implications, and tread warily when using data which, whether of deliberate design or not, take on propagandistic coloration.

### III. LAND REFORM AND ECONOMIC GROWTH IN CHINA

To begin with, it must be noted that the Chinese Communist Party is a communist party which intends to achieve the Marxist-Leninist-type communism domestically in the shortest possible time.<sup>8</sup> Its aim is state ownership of the means of consumption as well as production, and in less than twelve years it has come very close to just that. Its leaders have demonstrated imagination, ability, intestinal fortitude, and a willingness to take—and the uncanny knack of winning—calculated risks. However, all of their activities have been at the expense of the peasants, which is to say the people of China. Millions of them have died over the years as the party has single-mindedly pursued this aim these past four decades.

Land reform, from the party viewpoint, was a carrot to be held in front of a donkey.<sup>9</sup> By January 1953, the land redistribution in China was virtually complete. The smallness of the party's benefaction to each family, coupled with the dissemination of information about the technical advantages of specialization and division of labour, further coupled with a wide variety of intensive pressures exerted by party cadres, led to the rapid development of the agricultural producers cooperatives in 1955 and the collective farms in 1956. Both were accomplished with considerable loss of control and efficiency.

During this same period, 1949 through 1956, the party also fostered the growth of State farms. Contrary to Professor Clairmonte's suggestion that "...it was the tendency of poor peasants to sell their lands to the wealthier peasants—as seen in Hopei and Kirin" (p. 59) that led to these organizational changes, it is clearly evident that the party's relatively unusually close adherence to Marxist-Leninist doctrine "conditioned the contours of the movement." The movement itself was not unexpected; its timing only was.

Given that the commune, which, according to Professor Clairmonte, "signalled a new stage in national development" is here, what can we say with certainty about it? Principally and most pointedly: They are to the Chinese peasants what the state is to all citizens in George Orwell's 1984. Control has been centralized to an unprecedented extent and, in most areas, the individuals

8. See Sidney Klein, "Capitalism, Socialism, and the Economic Theories of Mao Tse-tung," *Political Science Quarterly*, Vol. LXXIII, No. 1, March, 1958, pp. 28-46, *passim*.

9. See the NCNA translation of the Basic (Agricultural) Program of the CCP of Oct. 1947 in Frank C. Lee, "Land Redistribution in Communist China," *Pacific Affairs*, Vol. XXI, No. 21, March, 1948, pp. 29-32; and "The Agrarian Law of the Peoples of China," *Supplement to Peoples China*, Vol. II, No. 2, July 16, 1950, pp. 1-11, which is a translation of the Agrarian Reform Law of June, 1950. In both, the CCP specifically promised the peasants that after the completion of the land reform title deeds would be issued, and all landowners would have the rights of free management, purchase, sale, or rental of their property. Yet long before this, (1931) in Professor Clairmonte's own words, "they had no delusions as to the capacity of peasant agriculture to support a programme of massive industrialization" (p. 59), toward which they were working.

## LAND PROBLEMS, INDIA AND CHINA

in them seem to have been stripped of all of their tangible property except the clothes on their backs. While Professor Clairmonte quotes the *Peitaiho* resolution which is deliberately ambiguous on the question of private ownership of property, he notes that "...administrative correctives were [later] found necessary," but has not spelled them out. I should like to suggest their tenor:

"... commune members hand over their retained lots of land to the communes, and the scope of free market is reduced step by step... small pans and tables used in the family have given way to the mess halls, and the means of production and a portion of consumer goods have been under the unified distribution of the communes. So, these things also do not constitute a major item for spending. For the present the most essential problem is clothing... as the communes will make monthly advance payments to their members, idle money in the countryside will increase. To this we should give attention."<sup>10</sup>

Apparently the reaction of peasants to the formation of the communes was to "entertain a doubtful mentality... They fear to show their money and refrain from making deposits. Some individuals even draw out all their deposits."<sup>11</sup>

Professor Clairmonte states quite correctly that the commune brought about the "integration of agriculture and industry." The Propaganda Department of the Heilungkiang Provincial Committee of the party goes even further. It states:

"The people's commune integrates the *hsiang* and the cooperative; promotes the overall development of agriculture, forestry, animal husbandry, sideline production, and fishery; and combines into one body the workers (industry) peasants (agriculture) merchants (trade) students (culture and education) and soldiers (the people's militia)..."<sup>12</sup>

However, Professor Clairmonte's contention that these major lines of activity have "ceased to be separate tributaries and have merged into the larger confluence of the economic revolution" is another matter. So too Peking's claim that the problems of the communes in the early period—particularly that of over-centralization—have been solved.

As late as March, 1960, party spokesmen were saying:

"In our rural areas there are differences in income between different areas, between different communes and production brigades in the same area, and between different households in the same production brigade... this difference generally amounts to 100% with the highest reaching from 200 to 300 per cent. While in the production brigades of the lower income bracket each manpower unit receives an income of only about Y150 a year, those in brigades of the upper income bracket may

10. Lo Shun-wu, "The Peoples Commune Movement Brings Great Monetary and Economic Changes in the Countryside," *Chi-hua Ching-chi*, No. 12, Dec. 9, 1958, in "Financial Matters in Peoples Communes," *Current Background*, No. 548, Hongkong, American Consulate General, Feb. 2, 1959, p. 25 (mimeo).

11. *Ibid.*, p. 28.

12. Propaganda Department, Heilungkiang Provincial Committee, "Outline of Reference Material for Propaganda on the Building of Peoples Communes," August 30, 1958, in "General Principles Governing Peoples Commune," *Current Background*, No. 524, Hongkong, American Consulate General, Oct. 21, 1958, p. 24 (mimeo).

## LAND PROBLEMS, INDIA AND CHINA

receive as high as 500 or even from Y600 to Y700 a year. There are many factors contributing to this difference...however, the most fundamental and principal factor is the revolutionary work enthusiasm on the part of the cadres and peasants in different areas and units."<sup>13</sup>

It was this lack of enthusiasm that resulted in some families being given back small plots for the growing of food and the keeping of pigs and chickens, and the system of income distribution being changed in favor of the more efficient producers. Apparently, the organization of the communes came too soon and was too drastic so that, to use Lenin's oft-repeated phrase, it was necessary to take one step backward in order ultimately to take two steps forward (from a Communist point of view).

No one would deny that the total mobilization of the factors of production by the Chinese has not yielded and will not for some time continue to yield increases in production. What is objectionable is the assertion that this drastic economic, political, and social re-organization has taken place without cost in terms of "human and physical depreciation" of, and loss of material and psychic income by, the peasants of China. They have gone through a vast convulsive effort which unquestionably has radically altered the face of their countryside. It is precisely the same convulsive effort that Nazi Germany went through 1933-1939, and which yielded the Autobahns, the convulsions of Fascist Italy which led to the timely arrivals and departures of its trains, and the convulsions of totalitarian Japan which led to Japanese territorial expansion in Asia—all immediately prior to World War II.

In any economic analysis of the land problems and economic growth of Communist China, it is imperative to recognize that Communist China in the 1950's was, and in the 1960's is, organized as a state at war. It has imposed substantially the same controls over its population during these "peacetime" years, that the Western nations imposed during World War II. It rigorously controls production, distribution, and consumption. It rigorously controls price, wages, and the allocation of resources. The powers and decisions of authorities at all levels have been made non-questionable and the individual human being has been relegated to the position of an individual production input. Perhaps not since Ch'in Shih Huang Ti and the Great Wall have the Chinese been so enslaved and sacrificed in the fulfillment of an over-riding imperial ambition.

Let us examine in as much detail as available data permit the contention of the Chinese Communist Party that the peasants have shared in the fruits of their efforts and that what the party is doing is for their benefit. According to Li Hsien-nien, and by implication Professor Clairmonte as well, during the period 1952-59 "agricultural production rose by 71%, while agricultural taxes remained at about 3,000 million yuan. In fact, the proportion of the total tax burden (including the agricultural tax, local additional taxes, and other rural taxes) borne by the peasantry has not increased, but has been slightly reduced."<sup>14</sup>

13. "Fully Develop the Superiority of the Peoples Communes and Help the Poor Brigades to Catch Up Quickly With the Richer Brigades." *Jen-min Jih-pao* editorial, March 14, 1960 in *Survey of China* Mainland Press, No. 2222, Hongkong, American Consulate General, March 23, 1960, pp. 5, 6 (mimeo). See also CB No. 548, *op. cit.*, *passim*.

14. Clairmonte, p. 63 and Li Hsien-nien, "China's Great Financial Achievements During The Past Ten Years," *Peking Review*, No. 47, Nov. 24, 1959, p. 10.

## LAND PROBLEMS, INDIA AND CHINA

My own excursions into the maze of statistics issued by the Chinese Communists indicate that any analysis of agricultural taxation in Communist China must take into account implicit as well as explicit taxation. Li, Professor Clairmonte, and many others have unfortunately concentrated only on the latter and have ignored such implicit taxes as the various systems of compulsory sales to the States of agricultural "surpluses" at low fixed prices, peasant repurchase of these "surpluses" at higher prices, "voluntary" deposits by peasants in State-controlled banks which in various places and at various times could be withdrawn only with difficulty, and "voluntary purchases" of government bonds and "voluntary contributions" to various causes and "insurance funds" by peasants. These State-directed activities resulted in a transfer of purchasing power from the peasants to the State and they have so many of the attributes of taxes, that one is required, much less justified, to include them in an economic analysis of the party's activities.

In every agricultural year from 1953-54 to 1956-57, the State purchased between one-quarter and three-tenths of China's total agricultural output; and the data available strongly suggest that it paid unusually low prices for this substantial proportion of agricultural output.<sup>15</sup> The information available also indicates that in many areas the purchase price was not paid directly to the peasants, but rather was put into special savings accounts for the peasants, who were not free to draw on them immediately.

Further, slightly less than half of the grain collected and paid for by the State in this fashion was resold back to the peasants. The data available suggest that they paid higher prices than they themselves had received for it. During the First Five Year Plan, the profits of the State-owned enterprises amounted to about two-fifths of total State revenue for the period. One decidedly profitable group of government enterprises was those engaged in the grain trade. The peasants were also taxed via a system of "voluntary contributions" to various political and military causes and insurance funds and via "voluntary purchases" of government bonds. Whether labeled "purchase of livestock insurance," or as "consumption" taxes on kitchen chimneys, lime kilns, ancestral shrines, or "birth of a male child", etc., these were, in fact, also agricultural taxes.

In addition to considering taxes labeled as other things, Professor Clairmonte and others would do well to take a closer look at the taxes explicitly labeled as such. Their political orientation, progressive nature, and broad incidence warrant special attention. While from 1949 to 1958, the party required that all national agricultural taxes were to be paid by 90% of the peasants in each village, the exact rate of taxation was dependent on the extent to which the area in which the village was located had been socialized and on the socio-economic status of each household. National agricultural taxes were levied against the "normal yield" of each farm but the rates varied from area to area. Because the normal or expected yields were set too high, the crops actually harvested were smaller than those used in the rate-setting process and the effective tax rates paid by the

15. Liao Lu-yen, "Struggle for the Realization of the Agricultural Program with Revolutionary Efforts," *Hsueh Hsi* No. 3, Feb. 3, 1958, in *Extracts from China Mainland Magazines*, No. 124 Hongkong, American Consulate General, March 24, 1958. p. 45.



## LAND PROBLEMS, INDIA AND CHINA

peasants were very much higher than those given in the data issued on the subject by the party.<sup>16</sup>

In many areas, the tax schedules were ignored entirely, and the taxes were simply collected on a quota basis. The tax was set at a fixed sum and levies were apportioned among the village population. Division of the tax proceeds between the national government and the local government appears to have been decided on the basis of many factors, relatively few of which seem to have been the tax laws then in force. According to some reports, in some areas the amounts earmarked as the local surtaxes amounted to as much as between 100% and 200% of the regular tax.<sup>17</sup>

Any estimates of the total tax bill paid by China's peasants either in absolute terms or as a percentage of total agricultural output must necessarily be little more than crude guesses. The lower limit of the distribution of such guesses is that offered by the Communists themselves.

According to the Communist-issued data, national agricultural taxes *per se* amounted to between 8.7% and 13.2% of total agricultural output during the years 1952-59. However, these data ignore the implicit taxes described above. Taking both categories of taxes into consideration, one can hazard the guess that as a *minimum* the true tax bill of the peasants has been at least twice that estimated by the Communists and is most likely three times that.<sup>18</sup>

Whatever the true figure, the reports of refugees and the literary and statistical gymnastics and outright admissions of both Communist authorities and propagandists all point irrefutably to a far heavier tax bill than that stated officially. While the party has unquestionably broadened the incidence of agricultural taxation, it does not appear to have lightened it, and the peasants do not appear to be any better off now tax-wise than under the Nationalists. Quite the contrary, they appear to be worse off as a result of the more methodical approach of the Communists.

Li Hsien-nien also states, and Professor Clairmonte seems to believe, that "...since prices have remained stable over the last decade and price differentials between industrial goods and farm produce have narrowed, partly as a result of an increase in procurement prices, the internal terms of trade have moved in favour of the peasant."<sup>19</sup> I have serious doubts about the statistical validity of the data which deal with retail prices since 1949 issued by the Chinese Com-

16. Walter Sullivan, "Land Reform Plans in China," *Far Eastern Survey*, Feb. 22, 1950, p. 35. Cf. T.J. Hughes and D.E.T. Luard, *The Economic Development of Communist China 1949-1958*. London, Oxford University Press, 1959, p. 165n. Their view of the "biological yield" question differs sharply from the content of the Report of the Indian Delegation to China on Agricultural Planning and Techniques, July-August, 1956, New Delhi, 1956, pp. 84-6.

17. Yeh Chien-ying, *Nan Fang Jih Pao*, Oct. 9, 1952, in Union Research Institute, *Revenue and Disbursement of Communist China*, Communist China Problem Research Series, Sept. 1954, p. 44.

18. The Union Research Institute in 1954 estimated that for the years 1950 through 1952, the tax burden of the peasants was equivalent to 52% of their income. See Union Research Institute, *op. cit.*, p. 110. E.F. Szczepanik in "Four Years of Fiscal Policy in Communist China," *Contemporary China*, Vol. I, 1955, Hongkong Univ. Press, 1956, p. 69, places it between 30% and 40% of farm family income.

19. See Clairmonte, and Li Hsien-nien, *loc. cit.*

## LAND PROBLEMS, INDIA AND CHINA

munists. At best they have limited significance — and I do not believe that they have even that.<sup>20</sup>

The suggestion that peasants are living better than in previous years, both under the Nationalists and in the first decade of Communist rule, is not borne out by less subjective reports which emanated from Hongkong in March 1960. These indicated that "the tight food situation in China was reflected in lengthening lines before urban food shops and closer control of food consumption. Reports were that Mainland China was getting a barely sustaining diet." More recently, in June 1960, there was "a worsening food shortage in the province of Kwangtung . . . [and] peasant pilfering and the offering of less than the original harvest as the production figure on which government levies are assessed . . . [A new CCP] drive is aimed at eliminating 'wastage' in the communal mess halls which means keeping consumption down to a minimal level. Special targets of the drive are the more productive provinces of China where the peasants are resentful of giving up the best part of good harvests for distribution to poorer areas."<sup>21</sup>

One is sorely tempted to elaborate at length on the cost of China's increases in production in "human and physical depreciation" and the loss of material and psychic income borne by the people of China these past 12 years; however the impact that unusually long hours, unusually hard work, unusually long separation of families (even by Asian standards), etc., has had on the physical and mental health of the Chinese is a matter of common knowledge. It is important to note that the party, in calculating its national income accounts since 1949, has not assigned any value to these social costs and that, in evaluating its net national product, it has grossly underestimated the depreciation of its most important natural resource—labor. Hence it has overestimated the true increase in its national product.

### IV. LAND REFORM AND ECONOMIC GROWTH IN INDIA

As with China, any evaluation of the land and general economic development problems of India must begin with the obvious: its situation, with few exceptions, is roughly similar to that of a number of other Asian nations. In common with China, Japan, Korea, and Taiwan, for example, it is a primarily agricultural, densely populated country. Similarly to them, the basic cause of its economic ills is the pressure of a large agricultural population on relatively little cultivable land. Further, the excessively great demand for land in relation to the supply of it in India as in these other nations has been reflected in the tenure pattern in its agricultural areas. India's population pressure coupled with the distribution of landownership resulted in inequitably high rents, oral contracts, sub-renting, over-renting, exactions in the form of involuntary gifts, and intimidation and eviction of tenants. Again, similarly to the nations of East Asia, this state of facts and the social, political, and economic psychology which it engendered, were the products of several centuries of creation and permeation; yet, in the absence of brute force, it was expected that with an immediate change in the facts there would be an immediate change in the psychology.

The land reform movement, drastic enough in and of itself, was part of a larger attempt to drastically alter the social and economic structure of the

20. See Klein, "Note on Statistical Techniques . . .," *op. cit.*, p. 19:

21. Staff, "Peiping Tightens Control of Grain," *New York Times*, June 19, 1960, p. 26.

## LAND PROBLEMS, INDIA AND CHINA

ation. And similarly to Japan, Taiwan and South Korea, India, in choosing an economically, socially, and politically democratic approach to the administration of this drastic revision of its society, also chose implicitly to wrestle with a multitude of vexing technical and human problems with which militantly communistic and totally mobilized China and North Korea did not have to contend. While totalitarian repression creates problems of its own and potential sources of danger to the ruling regime and its programs, at least the regime does not have to deal with individuals who choose to exercise their legal rights in the infinite variety of petty, nagging ways open to them in democratic societies. It is in this area perhaps most specially that there are close parallels between India's case and that of the other Asian nations of democratic persuasion.<sup>22</sup>

Professor Clairmonte devalues the Indian land reform program in that "...Compensation to Zemindars and Jagirs... gave rise to criticism on the ground that Zemindars were outgrowths of the British occupation and... created a financial millstone round the neck of the young nation." (p.54) There is an implicit suggestion in his criticism that outright confiscation would have been equitable and administratively the easiest way of meeting the compensation issue. There would then be no "millstone" and no bureaucracy needed to administer it.

As the risk of seeming outrageously old-fashioned, it seems to me that nations, similarly to individuals, are morally bound to honor their obligations. This is particularly incumbent upon new countries which seek admission to the society of nations. In the economic history of the United States, in the late eighteenth century, a major catalyst in bringing together 13 pitifully weak nations and creating one politically and militarily viable one, was the new central government's assumption of the Revolutionary War debts of the separate states. It would seem that new-born India, in ridding itself of the *ancien regime*, was duty-bound to make a comparable gesture. While payment of RS 615 crores—over one and one-quarter million dollars—does not seem a low price in the 1960's, it will seem so in the next few decades when the bonds which were largely used by India to pay this compensation will mature. Whatever the situation in individual years, the long-run price outlook in India is for an inflationary spiral to take place.<sup>23</sup> Undoubtedly, in India as in post-war Japan, at least partial if not total confiscation *de facto* will be recorded when the final history of its land reform program is written.

In Japan, implementation of the program had hardly begun when the terms of the compensation to be paid to landlords were rendered harmless as a "financial millstone" around the neck of its people. The price to be paid to each seller in bonds was to be 40 times the official 1938 rental valuation for paddy land and 48 times the official 1938 rental valuation for uplands, plus a small fixed subsidy. The purchase price was to be paid in government bonds within 30 years. The numerical factors of 40 and 48 were intended to approximate the capitalized value of the land. In the fall of 1946, when the land reform legislation was

22. Sidney Klein, *The Pattern of Land Tenure Reform in East Asia After World War II*, N.Y., Bookman Associates, 1958, *passim*.

23. Undoubtedly some readers will doubt the validity of the premise on which this conclusion is based. Given investment and development plans of any sort over this period coupled with a persistent population problem, the net result, *a priori*, is bound to be inflation. Historically, the long-run trend of most developing nations—and many static ones as well—since the discovery of the New World, has been inflation. Indeed, in some circles, economic progress and inflation are synonyms.

## LAND PROBLEMS, INDIA AND CHINA

passed, these official capitalized values were not too badly out of line with the actual or illegal market prices. Within half a year, when the first purchases under the law took place, they were distinctly unrealistic because of the depreciation of the yen; and the inflation continued to spiral. The Japanese Government could not recognize the "illegal market" prices without destroying its already unsteady structure of official fixed prices; and so did not.

By 1951, national and agricultural incomes had risen by more than 225 times their 1938 levels. While landlords had received 40 to 48 times the rental they were receiving in 1938 for their land plus the subsidy, each yen was worth no more than one-two-hundredth of its 1938 value. The low prices paid, therefore, in effect constituted confiscation. However, the inequity perpetrated was totally unintentional insofar as the land reform authorities, the Japanese Government, and SCAP were concerned. Their intentions were honorable. In Taiwan and South Korea, this grievous error was avoided.

In India somewhere between the two extremes of outright confiscation on the one hand and payment in full for property taken from reprehensible individuals on the other, justice will be done. By the 1990's all of the *Zemindari* will have been paid in full monetarily but the purchasing power of the money will be less than it is today; and whatever straining effect the payments may have on the fiscal resources of India will have disappeared. Given that the bonds paid the *Zemindari* were negotiable, it seems likely that the former intermediaries will not bear the devaluation in purchasing power of the bonds by themselves—indeed it may not even be largely. But if nothing else, the financial millstone will have disappeared.

Professor Clairmonte also notes that "Zemindari abolition legislation was honeycombed with loopholes" and that "...Furthermore the bulk of the protective tenancy legislation was either legally evaded or more frequently ignored." (pp. 54-55) To students of the land reform movements in East Asia after World War II, this is not at all surprising. Granted that India's various land reform laws should have been screened for loopholes in the first place, the fact is that some exist and in a politically democratic society *Zemindari* are as entitled to exercise their legal rights as the poverty-stricken or landless. Where the laws of the land are illegally evaded or are ignored, action by the state to implement its statutes is required—as in fact was taken in Japan and Taiwan.

South Korea as a case history is somewhat closer to India's in that protracted delays in passing the land reform legislation coupled with failure to set a retroactive date of purchase rights based on tenure caused many landowners to sell their lands to tenants or others, often to the disadvantage of the purchasers. It is believed that about half of the land subject to distribution under Law No. 31 (the land reform law) was sold by the landowners directly to cultivators prior to passage of the law.<sup>24</sup> The Korean War and its aftermath, however, limit the closeness of this comparison with India in that conditions in Korea 1950-54 were sharply different from those of India, 1951 to the present.

Professor Clairmonte notes accurately that India's land reform efforts have been effectively blocked by landlords. He reports the objective fact that land-

24. Basil J. Buchko, "Memorandum to: Commanding General Hq. U.N. Civil Assistance Command, Korea, 8201st Army Unit, Thru: Field Operations, Subject: Land Reform," June 11, 1952, p. 5 (typewritten).



## LAND PROBLEMS, INDIA AND CHINA

ords have obtained "voluntary" surrenders of land by their tenants in such a fashion that their ownership has been unencumbered by the legal or traditional rights of their tenants. Concurrently, they have been able blatantly to squeeze out higher rents in the face of the land reform movement. They have continued to wield over their tenants, social, political as well as economic power to an extent not conceivable to Western farmers.

In contrast to Professor Clairmonte, I would most emphatically reject communism as the solution to these problems. I would, however, strongly recommend a genuinely national unified approach to the problem of land reform. All land legislation and the implementation thereof in India ought to fall under the jurisdiction of the Central Government which in turn ought to encourage far more than it has local land commissions to implement the major principles of land reform in the First Plan. Granted that for better or for worse, the Zemindari problem has been resolved. The Central government, using the *Modus Operandi* of Wolf Ladejinsky, ought to institute a massive public education and information program and concurrently stimulate the local land commissions into action by the direct payment of adequate remuneration to those who serve on them. Given the passage of adequate land reform legislation by the Central Government in the first place—i.e. tenancy and ownership reform to include the clear delineation of the rights and responsibilities of all concerned, the fixing of appropriate ceilings on land holdings, remedial action for the fragmented field problem and prevention of its re-occurrence in the future, etc.—there is no reason why the massive administrative, judicial and fiscal power of the national states ought not to be thrown into the struggle as well and the legislation implemented. It seems reasonable to presume that the legislative errors committed by the individual states in the 1950's would not be repeated by the Central Government in the 1960's.

The key to the success of such a program—indeed any and all land programs in politically democratic nations—is mass participation. Landlord and tenant groups ought to be educated and informed about the spirit and content of the land legislation passed and they ought to elect members to the different levels of commissions in pyramid fashion. Given adequate remuneration paid for from national (and not state or local) funds, the commission members can be effective in translating nice-sounding words about reform into social action. In Japan and Taiwan, even though the commission members received either grossly inadequate pay or no pay at all, highly successful reforms took place. There is no reason whatsoever to believe that the system cannot succeed in India.

It would be naive to assume that implementation of the foregoing would be easy. Certainly, it was not easy in Japan, Taiwan or South Korea. It might be especially difficult in view of the sad experiences India has had with land reform since 1951. But the communal system and all that it denotes and connotes would bring even more difficulties. One does not wash his face by cutting his throat. It is for this reason that this writer must approach the question of cooperatives for India with at least caution if not ambivalence. From a purely technical point of view, there can be no question but that specialization and exchange with respect to economic functions, the pooled use of the factors of production, and all of the other economies of scale associated *à priori* with cooperative ventures are desirable. With proper management, *ceteris paribus*, cooperatives should yield larger incomes for the unit and the members of it. Unfortunately, the *ceteris*

## LAND PROBLEMS, INDIA AND CHINA

*paribus* assumption frequently does not hold true in the real world. In cooperatives and cooperative movements, be they Indian, Chinese, Russian, American or Israeli, one finds a wide variety of people: the lazy, incompetent and opportunistic as well as the hard-working; communists as well as capitalists; idealists as well as pragmatists; etc. No cooperative can get any further with its intentions than the morale and outlook of its members permit.

Based on observation of the development of cooperatives and collectives in East Asia, I believe that dire necessity and strong personal motivations with respect to the individual members are necessary for the cooperatives to succeed. The problems involved in establishing a viable agricultural sector of a national economy with cooperatives as a base are far more complex and numerous than those based on family farms. The establishment of cooperatives *en masse* requires far more skill and intelligent planning on the part of government officials and peasants than peasant proprietorship; and it is for this reason among many others that I doubt that the communes are as efficient and the Chinese people as cheerful and happy in them as the Chinese Communist propaganda units claim.<sup>25</sup>

Still another factor which makes one hesitate in recommending such cooperative ventures for India, is that these were the organizational media which, as noted above, led to the development of the commune system in China. Unquestionably, India has its share of followers of Mao who would exert efforts to have these agricultural units follow the Chinese Communist political and economic line. The agricultural producers cooperatives and the collectives can and would be used in various diverse ways to advance the cause of communism.

Other types of group ventures, such as credit, marketing, warehousing, etc., cooperatives, ought however to be encouraged. These permit technical advantages to be gained by peasants without corresponding offsets in technical and human problems due to the scale of operations and vulnerability to political manipulation. As long as such joint efforts are merely organizational appendages of a system of private ownership and operation of family farms, there is no danger in their becoming conduits of communism. Certainly, in the capitalistic United States they have served useful economic functions without erosive political consequences. While similarly to the producers units these types of joint efforts are not free of technical and human problems, the order or magnitude of these problems is lower than in the cooperatives and collectives. The psychological gap between membership in an agricultural producers cooperative and a supply cooperative of one sort or another is tremendous. In any case, the use of the cooperative form of agricultural organization by India must be approached with caution.

### V. SUMMARY AND CONCLUDING REMARKS

Professor Clairmonte and I seem to agree that for all underdeveloped nations "... Harnessing the energies and social élan of the population, in particular the peasants, requires sustained intensive effort and dedicated leadership at all level of the power structure." (p. 63) However, apparently we differ with respect to the type of agricultural organizations best able to facilitate the harnessing. Professor Clairmonte points to the "divergent approaches" of India and China and

25. For two dramatic, non-statistical shreds of evidence concerning life in rural and urban communes see "Communal Life on Mainland Told in Letter," *Review of Hong Kong Chinese Press*, No. 31: 60, Hongkong, American Consulate General, Feb. 24-Mar. 1, 1968, p. 3.

## LAND PROBLEMS, INDIA AND CHINA

to the apparent differences in their economic achievements and argues *post hoc propter hoc*. My own view, in essence, is that a broad sense of perspective is required in order to accurately and fairly evaluate the situation.

A close look at the "achievements" of the Chinese reveals much that reduces considerably the probable accuracy and glitter of the claims made by the Chinese Communists. The closer look cannot and does not deny that from a macro-economic point of view, the Chinese Communists have accomplished much. However, it also insists on recognition of the fact that since 1949, China's organizational *modus operandi* has been that of a state at war.<sup>26</sup> In contrast, India's has been that of a nation at peace, and this orientation is reflected in its social and political as well as its economic statistics.<sup>27</sup>

From a statistical point of view, any attempt to compare either gross national product or the real incomes of individual families in India and China must take into account either the negative psychic incomes of the Chinese people or the positive psychic incomes of the Indian people created by these two "divergent approaches."

Communist China did not create the concept of total mobilization of a population during a non-shooting war type of international environment nor does it possess a monopoly on it. Administratively, India and the other under-developed nations of Asia could easily follow suit. The real challenge, it seems to me, lies in making economic and socio-political progress *concurrently*. This can best be accomplished via a farm family system nurtured by a strong but not totalitarian central government. A genuine land reform in India—as indeed everywhere else in the world—rests on learning and doing: learning via the development of a massive public education and information program and doing via the development of a democratic political structure in the villages so that general principles can be implemented in detailed fashion by those who know the details best, namely the peasants themselves.

In the absence of strong positive action by a strong positive-minded central government, such development programs can easily be stalled in individual countries by entrenched interests, principally large landowners at the top of feudal-like power structures.<sup>28</sup> It happened in Japan and in Taiwan, but was subsequently remedied. It is happening in India, and can and should be remedied there as well. It is significant that economic progress of comparable magnitude but not of comparable type has been accomplished via the use of democratic methods not only in Asia but in other continents as well. In 1945, bombed-out, occupied Germany was economically prostrate and politically divided. By 1960, Western Germany, without the use of harsh repressive measures had achieved one

26. See "Development of Peoples Militia In Communist China," *Current Background*, No. 530, Hongkong, American Consulate General, Oct. 31, 1958, for brief but illuminating descriptions of civilian-manned military organizations in Peking, Inner Mongolia, Heilungkiang, Shensi, Shantung, Hunan, Kwangtung, Canton, Kwangsi, and Szechwan.

27. For a sharp contrast with life in totalitarian China as reflected in f.n. 26 above, see "Acreage Limits Opposed In India," *New York Times*, June 5, 1960, p. 30. Suggestive of its tenor is the last sentence, "At the present rate of progress, according to some Congress sources, it may take a year or even more before land-ceiling laws are passed in all states".

28. *Ibid.*

## LAND PROBLEMS, INDIA AND CHINA

of the most viable economies in the world. Long hours of hard work and discipline self-imposed by *individuals* and not the government were responsible for this achievement. India can and should duplicate it.

It is recognized that in India as in other poverty stricken nations, all resources have high values and must be utilized. Cooperative forms of endeavor under certain conditions do permit technical advantages to be realized. Except for the producers cooperatives, I would urge without reservation that these organizational forms be utilized. As for agricultural producers cooperatives, the human and political realities of life dictate recognition of the possibility if not probability of their subversion and use as stepping stones toward the commune system. Further, it seems to me that socially and psychologically, a nation has much to gain from an emphasis on private ownership and management of land and other productive property. I believe that given decidedly helpful but not overbearing government aid to such property owners, however small the individual properties may be, strong economic and political as well as social progress will be registered.

In economics, it is difficult enough to measure the supposedly measurable without attempting to consider essentially qualitative matters. Nevertheless, in any evaluation of the land problem and other facets of economic growth in India and China, intangible as well as tangible expenses and reserves must be considered.

This is the essence of "another view."



# A NOTE ON THE ECONOMIC IMPACT OF TOTALITARIAN LAND TENURE CHANGE: THE VIETNAMESE EXPERIENCE

BY J. P. GITTINGER\*

There is a temptation, when examining the contrasts between the Indian and the Chinese Communist approach to rural land tenure problems, to conclude that repressive, highly totalitarian land tenure changes offer the only route to the "take off" point of sustained agricultural and subsequently economic growth in underdeveloped countries. Thus, Clairmonte contends that in China sweeping tenure change effected through the most repressive regimentation has been responsible for sustained growth, and asserts this is the only possible alternative.<sup>1</sup>

One weakness of an approach which compares India and China is that necessarily a whole host of enormously important cultural and doctrinal differences intrude themselves. In this instance they have materially obscured the point of direct interest: whether, in an underdeveloped nation, a totalitarian structure is necessary to carry out a land tenure change substantial enough to open the way for sustained growth, both in the agricultural and the non-agricultural sectors of the economy.

A more germane analysis than Clairmonte's can be drawn by comparing Communist and non-Communist nations of much more similar cultural environments and much more nearly similar kinds of problems than India and China. In Asia, such a "laboratory" situation exists in Viet-Nam where a single nation with a virtually homogeneous culture has been split under highly artificial conditions. Half is now committed to a fully Communist approach under the tutelage of the Chinese Communists; half is committed to the Free World and relies heavily on Western (particularly American) technical and economic assistance. In both halves of Viet-Nam, rice is a staple food product and offers a meaningful rough index of agricultural production. In both, economic growth is an overwhelming national objective.

Each of these nations has embarked on substantial tenure changes since the partition of July 1954. In the North, tenure change has been approached by resort to the most repressive totalitarian measures; in the South the choice has been for an administrative structure which, while perhaps falling short of democratic perfection, has studiously avoided in its program of tenure change any hint of physical coercion and has strived conscientiously to impart a genuine

\* From September 1955 to December 1959 Dr. Gittinger was agricultural economist with the United States Operations Mission to Viet-Nam. He is currently associated with the Harvard Advisory Group attached to the Plan Organization of Iran.

1. Fredrick F. Clairmonte, "The Chinese and Indian Land Problem—Divergent Approaches", *Malayan Economic Review*. Vol. V, No. 1 (April 1960), pp. 52-65.

## TOTALITARIAN LAND TENURE CHANGE

measure of economic and social justice as judged by Western democratic ideals.<sup>2</sup> Thus it is worthwhile to examine the experiences of these two nations to determine what differences in agricultural production can reasonably be ascribed to the totalitarian land tenure program of the Communists as opposed to the vastly more liberal and democratic approach of the Diem government in the South.<sup>3</sup>

In North Viet-Nam after the 1954 partition, the Communists embarked upon a sweeping land transfer program. Following the Chinese example, "peoples' courts" condemned to death "land-lords" and redistributed their holdings and personal possessions among their neighbours. Later they began to group individual peasant holdings into "manpower exchange teams" and then into "coöperatives" where peasant cultivators no longer had claim to particular plots of land. In carrying out the ruthless campaign against landlords, the regime raised such violent reaction that the whole land tenure program had to be halted for over a year from September 1956 to November 1957 while rural cadres concentrated on a "mistakes correction" campaign.

In South Viet-Nam, by contrast, the land tenure programs have had no element of coercion. Two programs have been undertaken. A tenure security and rent reduction program, inaugurated early in 1955, seeks to limit rents to 25 per cent of the crop and to assure cultivators security of tenure on their holdings. The effect of the program, while far from what had been originally rather optimistically envisaged, has nonetheless been substantial. Between half and two-thirds of the tenant households in South Viet-Nam now hold contracts. Field observation leads to the conclusion that tenants derive a substantial measure of benefit from holding contracts in terms of lower rental and greater security, despite a relatively poor administrative record on the part of the Diem government.

The other major tenure program is a land transfer which limits individual riceland holdings to 100 hectares and provides for the purchase and resale to cultivators of any area in excess of the retention limit. Substantial transfers began late in 1957. The program is now proceeding well, given the problems of rural security which have become increasingly serious for the Diem government in recent months. As of December 1, 1959, 411,273 hectares had been surveyed, and final titles issued to 28,432 new owners. All survey work is expected to be complete by mid-1960, and final documents issued to all new owners of presently cultivated land by early 1961. When complete, the program will transfer about 699,000 hectares of riceland to some 300,000 cultivators.

In these two halves of Viet-Nam, then, programs of land tenure change shaped around radically different approaches have been carried out. It is here, therefore, that one might well search for evidence to test the hypothesis that

2. For a discussion of land tenure programs in Viet-Nam see the author's "Communist Land Policy in North Viet Nam", *Far Eastern Survey*, Vol. 28, No. 8 (August 1959), pp. 113-126; and "Progress in South Vietnam's Agrarian Reform", I and II, *Far Eastern Survey*, Vol. 29, Nos. 1 and 2 (January and February 1960), pp. 1-5 and 17-21. Descriptions of tenure programs contained in this note are summarized from these articles, to which the reader is referred for greater detail and for original sources.

3. It should be noted in passing that totalitarian control of agriculture and the tenure changes which have followed from it in mainland China and North Viet-Nam cannot be demonstrated to be motivated entirely by "economic" concerns or to be directed wholly toward economic growth. Even without the rationalization of its economic "advantages," a totalitarian land tenure program and control of agricultural production would likely be chosen policy instruments of Communist leaders in both nations because of their advantages in the realm of political control.

## TOTALITARIAN LAND TENURE CHANGE

totalitarian land tenure changes are necessary to achieve a superior record of agricultural production increase in the underdeveloped world.

In North Viet-Nam, throughout the period of Communist control, there appears to have been a relatively steady increase in rice production. Reported output in the area now under Communist control has risen from 3.3 million tons of paddy in 1940-41 to 4.1 million tons in 1958-59 (see table). It is impossible to assess precisely the validity of these reports since North Vietnamese series reporting rice production encompass substantial manipulation intended to have propaganda value. Pre-1945 figures, used as a basis for comparison, were notoriously under-reported, since they were used as a basis for tax collection (a situation which also prevailed in the area now included in South Viet-Nam). Much the same bureaucratic attitude was taken toward production figures as is generally taken toward appraisal of urban real estate for tax purposes. Better rice collection techniques (in part traceable to totalitarian control) and restored communications make more rice available on the urban market, giving the appearance without the substance of increased production. Some recultivation of abandoned area has contributed to a rise in total production, as has improved water control. Finally, there appears to be an element of plain overstatement.

### PADDY PRODUCTION IN NORTH AND SOUTH VIET-NAM (Million metric tons)

Year	North Viet-Nam	South Viet-Nam
1940-41	3.3	3.0
1943-44	2.9	3.3
1954-55	2.6	2.1
1956-57	4.1	3.4
1957-58	4.0	3.2
1958-59	4.1	4.0
1959-60	—	4.5

*Sources:* North Vietnamese figures taken from various French and North Vietnamese sources as stated in the author's "Communist Land Policy in North Viet Nam," *Far Eastern Survey*, Vol. 28, No. 8 (August 1959), pp. 113-126. South Vietnamese figures from Republic of Viet-Nam Department of Agriculture sources reported in Gittinger and Do-Uyên, *Vietnamese Agricultural Statistics* (Saigon: United States Operations Mission to Viet Nam, 1959), except 1959-60 which is reported directly from the Department of Agriculture.

In South Viet-Nam, under a vastly more liberal land tenure approach, rice production appears to have risen approximately as much. The official figures report an increase in production from 3.0 million tons of paddy in 1940-41 to 4.5 million tons in 1959-60. Here, again, it is difficult to compare figures from one year to the next. Some of the reported increase represents a better reporting procedure in a manner similar to that which was described for North Viet-Nam. But a substantial proportion of the increase can be attributed to improved security which permits farmers to apply their known techniques better and has led to recultivation or extension of cultivation to vast areas of the Mekong delta riceland. Small water systems have been restored and expanded.

## TOTALITARIAN LAND TENURE CHANGE

The incentives of a price structure operating through an open market have led farmers to increase the area they plant to rice, take more care with their production techniques, and increase the supplies available for market. Some use of chemical fertilizers has increased production. The impact of these physical changes has become more accurately known during the past two years with the introduction of modern sampling techniques yielding much more reliable information about rice production and having a known margin of error.

Taking all the available evidence into consideration, and recognizing its limitations, the most realistic evaluation is that at least as large a rice production increase has been realized in South Viet-Nam as in rival North Viet-Nam. At the very minimum, therefore, the performance of these two antithetical systems working within virtually the same cultural environment demonstrates that resort to repressive land tenure programs is not a requisite to achieving significant agricultural production increases in underdeveloped nations, nor will it necessarily result in a more rapid rate of growth in agricultural output. Indeed, in contradistinction, if the Diem government can implement the plans for greater use of chemical fertilizers and carry through the tenure improvement program which it is realistic to believe it can accomplish, South Viet-Nam, with its more liberal approach, may significantly outstrip the rice production increases in North Viet-Nam where production likely has reached nearly a plateau with known techniques. The existence of substantially different man-land ratios and double cropping potentialities does not alter the implications of this analysis.

Thus in this tragically fragmented country where cultural and other non-political conditions are much more similar than in India and China and which, in consequence, provides a much more valid "laboratory" situation, the conclusions about the economic efficiency of totalitarian and democratic land tenure approaches are demonstrably different from those which Clairmonte reached in his comparison between India and China. It is necessary to look elsewhere than the techniques of land tenure change to find explanations for any greater rate of increase in agricultural production or in economic growth in Communist China as compared to India.



## BOOK REVIEWS

Yates, P. Lamartine, *Forty Years of Foreign Trade*, London: George Allen & Unwin Ltd., 1959, 255 pp.

This book is both a challenging and a frustrating one. Professor Yates has provided eminently reasonable order out of a myriad of trade data covering the forty-year period from 1913 to 1953, but has indulged in what we may term "intellectual brinkmanship" by stopping short of interpretation or even conjecture just when the reader's appetite is whetted the most. The author did not intend otherwise: in his introduction he states that his purpose was "to provide statistics rather than to tell a story", and that the book, therefore, "cannot be considered a readable book".

Despite the admitted limitations of scope, *Forty Years of Foreign Trade* is a valuable and sobering study which should be read by students of trade theory and practice and particularly by those who make a fetish out of the "terms of trade" concept. In this latter category, it provides an excellent supplement to C. J. Kindleberger's: *The Terms of Trade: A European Case Study*.\*

This reviewer was particularly impressed with the discussion in the introductory chapters which underline the lack of elementary statistical tools to deal with the complexities of trade comparisons.

The author points out, for example, the simple fact that while tonnage figures for coal or wheat or sugar are usually comparable, such figures are of little use in handling trade items such as machinery, fruits or chemicals. Value comparisons, of course, are even more misleading when one has to deal with a wide variety of multiple exchange rates and a phantasmagoria of "administrative prices" and exchange control regulations and commodity licence arrangements. Added to these problems are the problems of political fission and fusion in the trade reporting areas which make historical series over any length of time extremely difficult at best, and impossible at worst.

While the author does not interpret his statistical data, he does trace some of the more significant changes that have taken place in the world trade complex, for example, the historically recent rise in trade involving wood pulp, rubber and coffee, and the decrease in hides, skins, silks and cottons; the increasing trade in ores and metals and petroleum, and the decrease in international coal shipments. He also notes such unexpected phenomena as the increasing percentage of textiles in the United States exports despite the emergence of many "low wage" textile producing areas, and the increasing percentage role of machinery imports in the United States concomitant to the accelerated rate of industrial development in the United States.

Within its self-imposed limitation, *Forty Years of Foreign Trade* has much to offer both the student of trade theory and practice and the general reader. But the questions it raises are more numerous than those it answers.

T. R. MC HALE

\* London: Chapman and Hall, 1956.

Lim Tay Boh, *The Development of Singapore's Economy*, Singapore: Eastern Universities Press Ltd., 1960, 74 pp. M\$2.00.

This is a collection of eight articles on the economic problems of Singapore, written mainly in late 1957 to early 1959. Many of these articles have been previously published in newspapers and non-technical journals. In the last two

## BOOK REVIEWS

articles Professor Lim addresses himself to fellow economists, and the standard of writing is at a different technical level from the other articles. Nonetheless the earlier articles, written for laymen who wish to obtain an understanding of the national economy, are of great interest.

The central theme is the expansion of Singapore's economy to meet the challenge of a rapidly growing population, and the problems of transforming an entrepot into an industrialised economy. There is some repetition of points made in the different articles, and the volume of essays would perhaps have benefitted by being presented in a more architectural form. There is also insufficient treatment of the many problems, economic, political and social, of the population explosion to justify the optimism expressed about the country's economic future. One is also not altogether convinced that the promotion in neighbouring countries of direct trading will not be detrimental in the long run to our entrepot trade. The loss of the annual \$5 million jute trade is a striking illustration.

The style of exposition is simple throughout, but the important points are based on sound economic arguments and there has obviously been considerable thought behind many of the recommendations. But too much may have been sacrificed to maintain readability by not developing certain points at greater length, as for example, the economic role of the government and the need for a more equitable distribution of income. The author believes the government has an important part to play in promoting that environment in which economic expansion can take place, such as the provision of the basic tertiary services, education, housing and health services, etc., and tackling the problems of the supply of capital and technical know-how. But he also suggests that it may be necessary for the government to undertake investments which are wider in scope than would attract private enterprise, that is, for government to take over certain entrepreneurial functions. It is a debatable point whether risk decisions taken by a large number of individuals in a free market economy can be transferred to one committee or one man and whether a civil servant could be this man. It is also difficult to conceive of these fields of government participation which will not be competitive with private enterprise. With respect to the need for a more uniform distribution of wealth, there are two strong economic arguments against the proposal to restrict a limited increase in the national income to the lower income groups. This implementation will tend to restrict the level of savings and to raise the cost of production.

Professor Lim is unhappy about the possible repercussions of tariff barriers on the entrepot trade and, while admitting their necessity in aiding the development of new industries, urges great caution in selecting the industries to be protected. The case for setting up tariff barriers must be viewed with a certain misgiving, since neighbouring countries are encouraged to do likewise. Tariffs also provide a positive disincentive to increasing efficiency and it is doubtful if some of the nursery industries, like hot-house plants, will ever stand the cold winds of economic competition.

This reviewer is fully in agreement with the author's exhortations that Singapore should maintain and expand its entrepot trade, that the new industries must not create dislocations in the rest of the economy, and that these industries must be capable of growing into efficient and low-cost industries. In this respect there is much to be gained from Hong Kong's experience. With a population

## BOOK REVIEWS

earing three million and a rising wage level, Hong Kong has full employment at the present time. Hong Kong's industrial success must be attributed not only to low wages, the inflow of refugee capital and know-how from the Chinese mainland and a ruthless *laissez faire* economy, but also to the concentration on light industries producing cotton piece-goods, singlets, shirts and towels, torches, rubber shoes and vacuum flasks for the lower income bracket consumer in the Southeast Asian market. At least part of the reason for the different economic vitality in the two cities must lie in the failure of our entrepreneurs to innovate. The fundamental differences between commerce and industry in input-output ratios, periods of gestation and labour relationships represent a revolution in businessmen's philosophy that in Singapore has not yet taken place.

I should like to make a few suggestions, which appear to be generally in line with Professor Lim's thesis.

First, there has been a considerable exodus of capital from Singapore largely on account of the political and labour uncertainty. If the trade unions can be induced to formulate a major statement on wage policy covering a substantial period, this would be invaluable in promoting that climate in which the investment of new capital can take place.

Second, the primary industries sector has not received much attention in Singapore's development programme, though the production of our own food will at free foreign exchange which can be utilised for the import of raw materials. In particular an expansion of the fishing industry together with the establishment of a producers' cooperative and a fisheries research unit will pay good dividends.

Third, we should concentrate our resources in the light labour-intensive industries, in particular those which will make use of the considerable latent skill in the population, such as the manufacture, from imported semi-finished components, of clocks and watches, cameras, radios and other light electrical goods. With the initial development of these assembly industries, the manufacture of parts will follow at a later stage. If we accept this argument it seems difficult to justify the proposed setting up of a \$600m. iron and steel smelting plant. The steel industry, apart from the risk of surplus capacity, is highly capital-intensive and offers limited opportunities for employment. There is, moreover, the danger that it will dominate the present landscape of Singapore's economy and its future development.<sup>1</sup> Since we cannot afford mistakes the case for long-term planning can hardly be over-emphasized. Though short-term development plans are by their nature fairly elastic, they must nonetheless conform to the overall pattern of a long-term economic programme.

This slim volume of essays is stimulating and rewarding. I recommend it as essential reading for every civil servant and student, in the widest sense, of Singapore's economic problems.

RONALD MA

1. Admittedly a less ambitious project which stops short at a rolling mill might well provide the essential industrial impetus without imposing too many strains on the other sectors of the economy.

## BOOK REVIEWS

Shigeto Tsuru, *Essays on Japanese Economy*, Tokyo, Kinokuniya Bookstore, 1958

This volume is a collection of essays originally written in English (as well as in French) for overseas readers, about the Japanese economic system. Professor Tsuru, though still comparatively young, has achieved a position of acknowledged leadership among the economists of Japan; and because of his many distinguished publications in non-Japanese journals he is also the Japanese economist who is best known abroad. The analysis presented in these essays shows the qualities which have earned this reputation. There is the remarkable flair in grouping and rearranging a complex mass of statistical data to give a clear demonstration of economic structure or function. There is the skilful handling of macroeconomic and microeconomic aspects simultaneously, in a context of detailed institutional knowledge. And there is the courage to uphold an unpopular doctrine if the facts, and his own value judgments, lead to it, even when it will offend either Japanese national feeling or prevailing liberal opinion.

These qualities make the book a significant contribution to economic knowledge. Yet the form in which it is presented means that few readers will find it wholly satisfactory. The individual articles are slightly too closely related each to a particular time to be treated as separate essays on different aspects of the economy. But if the first part is treated as a continuous narrative it is like a serial story from which some parts are omitted.

It would, however, be churlish to make too much of this purely technical point, when Professor Tsuru, turning aside from his work in his own language, has given us, in English, a book which is partly a running commentary on the economic development of Japan, partly a series of specialised development studies, and partly a set of examples of related theoretical and statistical analyses which are a model for similar work in this general field.

If we consider the book from the first of these three points of view, we find in the first part a succession of views of the economy at different times: the first chapter at the time of the establishment of the Dodge Line against inflation, with a survey of the post-war inflationary pressures and the measures necessary to curb post-war inflation; the next, when the Korean War Boom had generated remarkable recovery so that pre-war standards had almost been restored; the third, a little later, when the country's remarkable recovery was already exciting comment abroad, and the author felt obliged to draw attention to inherent weaknesses and also potential dangers of an economy too much dependent on export markets. The fourth and fifth chapters, written after some of these difficulties had been overcome by the great success of Japan's export policy in 1954, concentrate on structural problems, the internal disparities and tensions, the growth of monopoly and economic concentration, and the scope and duration of the problem of unemployment, open and concealed. The sixth chapter is a technical, and perhaps unduly critical, assessment of Japanese planning and forecasting techniques. Reading them together gives, by implication, a clear picture of the post-war development of the economy, though some stages are omitted, because the different chapters deal with different topics as well as different stages.

From this point of view the last two chapters represent steps back into the more distant past, the seventh the early Meiji era and the eighth the period immediately before and during the second World War.



## BOOK REVIEWS

We may also, however, treat the book as a series of separate studies, differing slightly in time, but essentially concerned with different aspects of the same economy. From this point of view the focus of interest in the first chapter is the currency, and public revenue and expenditure, in the second the balance of payments, in the third the distributive structure, in the fourth the industrial and control structure and in the fifth the pattern of employment; though all are studies of the whole economy. The wide statistical grasp that he shows makes the author, in the sixth chapter, rather impatient of the inadequacies of Government agencies for forecasting and interpretation; though by the standards of any other Government Japanese achievements in this respect are considerable, and by the standards of other Governments at anything like the same level of development they are phenomenal.

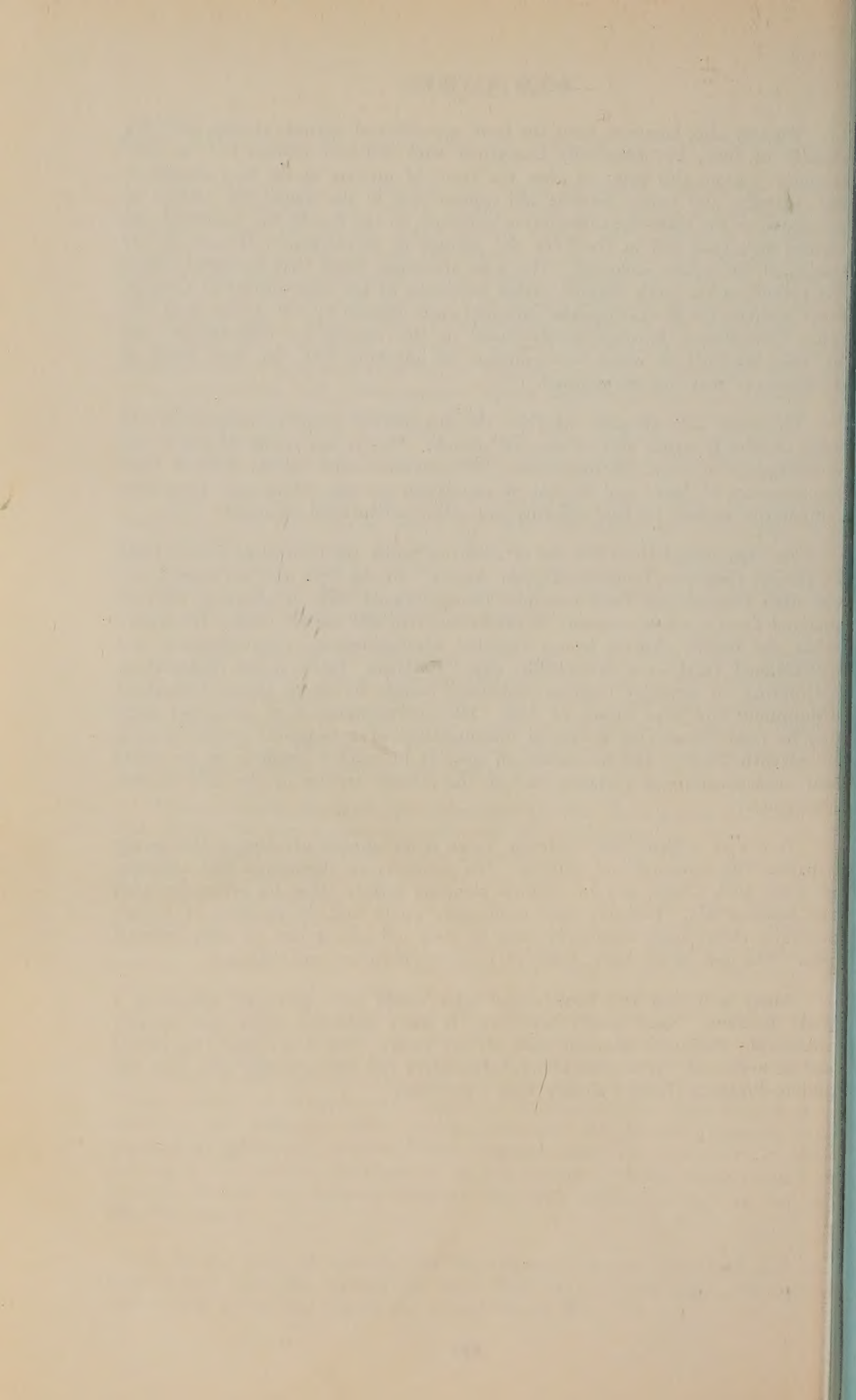
One may also question whether the distributive pattern discussed in the third chapter is mainly due to external stimuli. May it not rather be due to the e-emergence of basic microeconomic and macroeconomic forces derived from the resources of Japan and its rate of population growth, which may have been temporarily masked by land reforms and other institutional changes?

As examples of the vivid use of statistics under the control of a firm body of theory, these essays command great respect. In the first part the second and the fifth chapters are both examples of exceptional skill in selecting relevant material from a whole economy to illustrate particular aspects chosen for study; while the fourth chapter brings together macroeconomic, microeconomic and institutional facts in a remarkable way. Professor Tsuru is no econometrist attempting to establish rigorous statistical models by using heroic theoretical assumptions and large masses of data. His interpretation is an art. But there can be few examples of statistical interpretation of a historical period to rival his seventh chapter; and his eighth, in spite of his modest emphasis on its errors and inadequacies, was certainly one of the pioneer articles in the field of war economics.

It is very evident that Professor Tsuru is no admirer of existing and recent Japanese Governments and policies. His attitudes to alignments and alliances, to trade with China, and to national planning plainly show his sympathy with the Japanese left. Probably most economists would find the recovery of Japan's economy rather more impressive than he does and accuse him of some political bias. The tone of the book, however, is always objective and balanced.

Many will find this book useful who would have preferred something a little different. Some would have liked it more historical, some more strictly analytical. Perhaps it does not quite hit any target. But it is a book that should not be neglected. It is stimulating, informative and outstandingly able, and will add to Professor Tsuru's already high reputation.

T. H. SILCOCK



PRINTED AT  
MALAYA PUBLISHING HOUSE  
LIMITED . SINGAPORE



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Founded July 1956

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